

104

# MEMBERS' DAY

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Y 4. B 85/3:104-23

Member's Day, Serial No. 104-23, 10...

104-23  
1996

## HEARING

BEFORE THE

### COMMITTEE ON THE BUDGET

### HOUSE OF REPRESENTATIVES

### ONE HUNDRED FOURTH CONGRESS

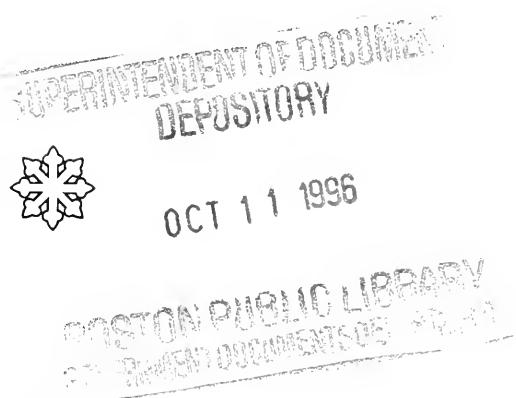
SECOND SESSION

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HEARING HELD IN WASHINGTON, DC, MARCH 22, 1996

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**Serial No. 104-23**



Printed for the use of the Committee on the Budget

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104

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Member's Day, Serial No. 104-23, 10...

104-23  
1-64

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BEFORE THE

### COMMITTEE ON THE BUDGET

### HOUSE OF REPRESENTATIVES

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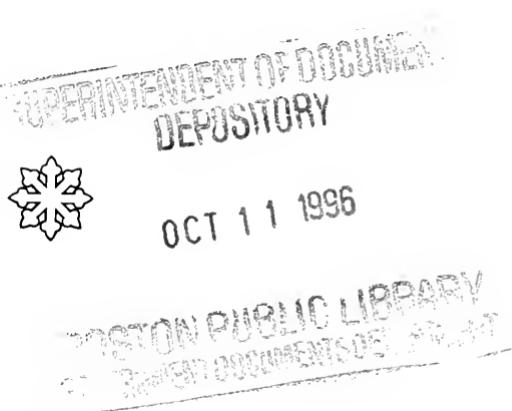
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## MEMBERS' DAY

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FRIDAY, MARCH 22, 1996

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON THE BUDGET,  
*Washington, DC.*

The committee met, pursuant to call, at 10:12 a.m., in room 210, Cannon House Office Building, Hon. John Kasich (chairman of the committee) presiding.

Members present: Representatives Kasich, Shays, Herger, Bunning, Miller, Smith of Michigan, Bass, Neumann, Sabo, Stenholm, Coyne, Costello, Orton, Rivers, and Doggett.

Chairman KASICH. The committee will come to order for the purpose today of Members' testimony. I thank Mr. Stenholm for being here this morning, and Ike, what are you doing sitting back there?

Mr. SKELTON. Waiting to be called.

Chairman KASICH. I think that chair has your name on it. It is a pleasure to have Ike Skelton from the great State of Missouri with us this morning.

Ike, it is all yours.

### STATEMENT OF HON. IKE SKELTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

Mr. SKELTON. Mr. Chairman, today, I speak for the American soldier, for the American sailor, for the American airman and for the American marine, and I welcome the opportunity to present testimony to this Budget Committee on the future direction, structure and employment of our Nation's defense. I appreciate the consideration of my views, and I especially, Mr. Chairman, wish to thank you and the other members of this committee for your positive response to my efforts and my testimony last year.

Mr. Chairman, strategic vision, organizational review, equipment modernization, and fully funded operations and maintenance accounts are absolutely necessary for ensuring effective force in the coming years. After reviewing various budget proposals affecting the nature of our defense capability, Mr. Chairman, I am very concerned about the manner in which American uniformed personnel may be employed in the future.

Last year I testified in favor of increasing defense spending to ensure an adequate level of military readiness. This year, readiness and quality of life remain pressing issues, while lack of military modernization has reached a critical level. During the second session of the 104th Congress, we have an opportunity to address problems in the military. Our actions may save lives of future sailors, soldiers, airmen, or marines.

This morning, I propose a defense budget that establishes budget authority for fiscal year 1997 at \$255 billion or \$12 billion above the administration's request. The increased budget authority is necessary to fully fund accounts for readiness, modernization and quality of life.

As a result of the administration's Bottom-Up Review in 1993, our military establishment adopted a prudent and essential national security strategy of planning to fight 2 major regional contingencies or conflicts nearly simultaneously. International developments since that time have affirmed the prudence of this strategy. As we enter the next century, military force structure should retain the ability to fight two major regional conflicts.

Some critics would argue that defense increases are not needed because today's world is less dangerous. They fail to remember that in 1994, the United States came close to armed conflict three times. In June, we deployed additional forces toward Korea to halt the production of nuclear weapons. In September, we sent 22,000 troops to Haiti to restore democracy and stop the flow of refugees. Then, in October, we responded to Saddam Hussein's move to imperil the world's oil supply again. These actions occurred amid ongoing American military commitments in the Sinai, Rwanda, Macedonia, Cuba, Bosnia, Turkey, Panama, Okinawa and, of course, Western Europe.

Early last year, in testimony before the National Security Committee, the Chairman of the Joint Chiefs of Staff, General Shalikashvili, stated that tensions with North Korea, Haiti, and Iraq in 1994 thoroughly validated the two major regional conflicts requirement. General Shalikashvili emphasized that our force structure, however, was on a razor's edge in meeting our commitments abroad. On March 6 of this year, General Shalikashvili reiterated the message to the House National Security Committee and promoted a message for the future. We should learn important lessons from General Shalikashvili's counsel: first, preserving a minimum force to fight two major regional conflicts is necessary to prevent and deter emerging threats; second, a flexible modern force structure is necessary to deny aggressors and defeat aggression; and third, commitments in operations other than war may require force structure beyond that necessary to respond to simultaneous crises.

To meet a wide variety of threats, a small and flexible military force must prepare for a plurality of missions. Today's military is well suited for this task. All together, our Nation's Army, Navy, Marines, and Air Force provide an impressive range of capabilities from which strike options may be chosen in times of tension. Each service offers a uniqueness not found within another.

The continuation of this strategic pluralism into the next century will serve our Nation well. The Navy and Marines, benefiting from the open sea lanes, can lead with forward presence. The Air Force, capitalizing on the technological developments of stealth and precision-guided munitions, can answer the call for crisis response. And the Army, complete with its digitized force 21 soldier and improved transport capability, can secure full victory at times when a ground presence is necessary, and we all know that is necessary at times more often than not.

Meeting competing funding demands is growing ever more difficult. Immediate investment is necessary to maintain our technological edge and to reduce risks to uniformed personnel. Equipment is aging, and current modernization schedules are insufficient to meet the requirements of the two major regional conflict strategy. As General Shalikashvili on March 4 of this year in his Report to Congress on Force Readiness stated: "It is becoming increasingly difficult to balance the requirements of current readiness against the need to modernize and recapitalize U.S. forces of the future."

In addition, Mr. Chairman, to operating old equipment, uniformed personnel are suffering from the strains of high deployment rates, and this is important, and I have seen it. Today's current rate of deployments and operations is at such a high level that both military equipment and personnel have reached the limits of their productive service life. For example, the Air Force AWACS community suffers from high deployment rates, sometimes as high as 160 days a year. More recently, one Marine gunnery sergeant, a 35-year-old father of two, has been away from home for 355 days during the past 2 years: 6 months in Okinawa, 3 months in Haiti, a month stationed in California, and 2 months in Bardofoss, Norway, conducting operations there, and finally, he just deployed to Bosnia for another 6 months away from home.

We can take pride in the 54,000 American uniformed personnel currently deployed overseas in contingencies such as Bosnia, Peru, Ecuador, Sinai, Saudi Arabia, and Southeast Asia. But to improve the quality of our services, reduce the strains on military personnel, and improve the future prospects of the overall force, fully funding modernization and operations accounts is necessary.

Finally, our future military posture must take notice of the emerging threats stemming from the existence of ballistic missiles throughout in the world. This, of course, will be an issue debated fully this year within the committee on which I serve. I turn the committee's attention to the various sheets that support my testimony, and I refer to this as a commonsense defense plan for years 1997, 1998, and 1999. Sufficient figures were not forthcoming to be able to complete a 5-year document, so I hope the chairman and the members of this committee would understand it is limited to this year and the next 2.

The proposed Defense Department increases would net for this coming year \$12 billion above the administration, and the following fiscal year \$15 billion, and for 1999, \$14 billion. Very briefly, the Army funding issues are that there is a critical loss of training readiness of units; there is reduced availability of equipment; there is poor condition of facilities; there is reduced soldier and family morale; and broken modernization programs require an additional—this year—\$1.5 billion for the Army.

For the Navy, which I also might point out includes the Marine Corps, we would add this year \$2.8 billion and the following year \$6.0 billion and in 1999, \$3.9 billion to stretch the force structure that is there, critical loss of training readiness of aviation units through the diversion of unit training and exercise funds to pay for contingency operations; reduced availability of equipment, poor conditions of facilities and reduced sailor and family morale. A de-

layered modernization program jeopardizes long-term Navy capabilities.

The United States Air Force funding increases: a highly committed force structure is there. The Air Force tanker lift and tactical fighters require replacement due to losses in wear and tear and also in peacekeeping operations. Inferior conditions of facilities, reduced servicemember and family morale and reduced superiority of technology to fight the air war calls for an increase in the Air Force budget of \$3.4 billion this year, \$4.3 billion and \$4.4 billion the following 2 years.

Mr. Chairman, we have the finest military that we have ever had today. They are good; they are professionals. And my concern is that we must take care of them; we must take care of their family; we must keep them in a high state of readiness and still modernize. And you cannot get there from here unless the funding is there. I urge you to take a close look at my proposed numbers. You obviously did last year, which I appreciate, and I think the men and women in uniform do as well.

So I thank you for this opportunity, Mr. Chairman, to appear before you. This is the most crucial issue for the future of our defense and particularly in looking at the future of the young men and young women, I hope that there will be an open ear not just to my testimony but to their needs.

[The prepared statement of Mr. Skelton follows:]

PREPARED STATEMENT OF HON. IKE SKELTON, A REPRESENTATIVE IN CONGRESS  
FROM THE STATE OF MISSOURI

Mr. Chairman, I welcome the opportunity to present testimony to the House Budget Committee on the future direction, structure, and employment of our Nation's defense establishment. I appreciate consideration of my views as the committee drafts a budget resolution to reach a balanced Federal budget.

Strategic vision, organizational review, equipment modernization, and fully funded operations and maintenance accounts are necessary for ensuring an effective force in the coming years. After reviewing various budget proposals affecting the nature of our defense capability, I am very concerned about the manner in which American uniformed personnel may be employed in the future.

Last year I testified in favor of increasing defense spending to ensure an adequate level of military readiness. This year, readiness and quality of life remain pressing issues while lack of military modernization has reached a critical level. During the second session of the 104th Congress, we have an opportunity to address problems in the military. Our actions may save lives of future sailors, soldiers, airmen, or marines.

This morning, I propose a defense budget that establishes budget authority for fiscal year 1997 at \$255 billion, or \$12 billion above the administration's request. The increased budget authority is necessary to fully fund accounts for readiness, modernization, and quality of life.

BACKGROUND

As a result of the administration's Bottom-Up Review in 1993, our military establishment adopted a prudent and essential national security strategy of planning to fight two nearly simultaneous major regional conflicts (MRCs). International developments since 1993 have affirmed the prudence of this strategy. As we enter the next century, military force structure should retain the ability to fight two MRCs.

Some critics argue that defense increases are not needed because today's world is less dangerous. They fail to remember that in 1994 the United States came close to armed conflict three times. In June, we deployed additional forces toward Korea to halt the production of nuclear weapons. In September, we sent 22,000 troops to Haiti to restore democracy and stop the flow of refugees to our shores. Then, in October, we responded to Saddam Hussein's move to imperil the world's oil supply. These actions occurred amid ongoing American military commitments in the Sinai, Rwanda, Macedonia, Cuba, Bosnia, Turkey, Panama, Okinawa and Western Europe.

Early last year, in testimony before the National Security Committee, the Chairman of the Joint Chiefs of Staff General Shalikashvili stated that tensions with North Korea, Haiti and Iraq in 1994 thoroughly validated the two MRC requirement. According to his testimony:

"This past year validated the plausibility that we could find ourselves enmeshed in two nearly simultaneous regional conflicts. Many times, we were balancing tensions in two or three different regions at once.

"Anybody who sat in my chair this past year wouldn't have any reservations whether or not the requirement for 'two MRCs' is the right strategic choice. We cannot afford less."

General Shalikashvili emphasized that our force structure, however, was on a razor's edge in meeting our commitments abroad. The Nation's top military advisor further identified the potential risks, as seen in early 1995:

"I am convinced that a smaller, less capable force would most probably suffer unacceptable casualties, our forward deployed forces would be extremely vulnerable, the allies we are committed to protect could experience far greater damage, and a great deal more time and mobilization would be required to build to the force levels needed to win.

"These are risks that I believe we need to avoid. The force recommendations that emerged from the Bottom-Up Review, with its programmed enhancements, decreases these risks and I would not recommend anything smaller.

"With the previous, larger Base Force, the Joint Chiefs, the CINCs, and I were convinced we could support a reasonable number of Operations Other Than War, such as peacekeeping and sanctions enforcement operations, and still have enough additional forces to fight and win two MRCs. But the smaller force that emerged under the Bottom-up Review eliminated this latitude. Under ordinary conditions, there will be enough forces to perform Operations Other Than War. But in the event we become involved in a major regional conflict, we will have to withdraw our forces committed to Operations Other Than War in order to respond to a second major regional contingency. That is about as lean as we can afford to be."

On March 6, 1996, General Shalikashvili reiterated his message to the House National Security Committee and promoted a lesson for the future:

"As long as we wish to remain a global power with global interests, we must preserve our capability to fight and win two nearly simultaneous major regional conflicts."

We should learn several important lessons from General Shalikashvili's counsel: first, preserving a minimum force to fight two MRCs is necessary to prevent and deter emerging threats; second, a flexible modern force structure is necessary to deny aggressors and defeat aggression; and third, commitments in "Operations Other Than War" may require force structure beyond that necessary to respond to simultaneous crises.

#### STRATEGIC VISION

To meet a wide variety of threats, a small and flexible military force must prepare for a plurality of missions. Today's military is well-suited for this task. Altogether our Nation's Army, Navy, Marine, and Air Forces provide an impressive range of capabilities from which strike options may be chosen in times of tension. Each service offers a uniqueness not found within another, and as a group all three services represent a formidable deterrent against a potential aggressor.

Continuation of this "strategic pluralism" into the next century will serve our Nation well, particularly as we experience reduced opportunities to deploy forces abroad.

The Navy and Marines—benefiting from open sea lanes—can lead with forward presence and assist with both crisis response and forward power projection missions.

The Air Force—capitalizing on the technological developments of stealth and precision guided munitions—can answer the call for crisis response and rapidly project force abroad with the employment of a robust long-range bomber fleet.

The Army—complete with its digitized Force XXI soldier and improved transport capability—can secure full victory at times when a ground presence is necessary. In addition, the Army has a role unmatched by other services, as demonstrated during deployments to Kuwait, Somalia, Rwanda, Haiti and Bosnia-Herzegovina.

Strategic pluralism provides the best formula for meeting our security commitments in the beginning of the next century. It is a strategy based on American strengths, projected from American soil, and independent of political unrest in foreign lands. Most important, the strategy meets the demands of potential conflicts in a new age.

Achieving the maximum amount of strategic flexibility will require robust readiness throughout the entire force structure. All units of each service will need to maintain the highest level of readiness, ensuring a "total force" capability across all services and among both active and reserve components. Allowing one aspect of the service to lower its state of readiness will set an undesirable precedent and start the military on the "slippery slope" toward "hollow force." A small force will require more teamwork in the future, among equal players.

#### MODERNIZATION AND OPERATIONS

Meeting competing funding demands is growing evermore difficult. Immediate investment is necessary to maintain our technological edge and to reduce risks to uniformed personnel. Equipment is aging and current modernization schedules are insufficient to meet the requirements of the two-MRC strategy. As General Shalikashvili wrote in his March 4, 1996, Report to Congress on Force Readiness, "it is becoming increasingly difficult to balance the requirements of current readiness against the need to modernize and recapitalize U.S. forces of the future."

In the Air Force, already several B-52 pilots are flying the same airframe flown by their fathers. Current plans call for the B-52 to remain a viable platform beyond a 60-year service life.

The Marines are operating with 30-year-old platforms in the CH-46 helicopter and C-130 aircraft. Under current plans, the last CH-46 will not be replaced by the follow-on V-22 until the year 2027—by which time it will have exceeded 50 years of service.

The Navy has not purchased ships at a sufficient rate. Since 1991, an average of only seven new ships were built per year. With an expected service life of 35 years, the Navy is on schedule to reach a fleet level of 245 ships—100 below the two-MRC requirement. Already the Navy is experiencing a burdensome deployment schedule: today, 189 ships are at sea out of a total of 363.

Since 1990, the Army has seen its research, development, and acquisition accounts reduced by 600 percent, from 22 percent of the total service budget down to 16 percent. As one war-fighting CINC put it: "We are in danger of gutting the future of the Army. \* \* \* The risk of breaking the force is a real one."

In addition to operating old equipment, uniformed personnel are suffering from the strains of high deployment rates. Today's current rate of deployments and operations is at such a high level that both military equipment and personnel have reached the limits of their productive service life.

For example, the AWACs community suffers from high deployment rates, sometimes as high as 160 days a year. Consider the following actual schedule of an Air Force officer:

- November 6–18, 1993, Red Flag (Nellis AFB, Nevada)
- December 14, 1993–January 31, 1994, Southern Watch (Saudi Arabia)
- March 7–10, 1994, Coronet Extend (Exercise)
- March 26–May 9, 1994, Provide Comfort (Turkey)
- June 1–16, 1994, Panama
- July 14–August 18, 1994, Southern Watch (Saudi Arabia)
- October 1–December 4, 1994, Provide Comfort (Turkey)
- December 15–23, 1994, Panama

More recently, one Marine gunnery sergeant, a 35-year-old father of two, has been away from home for 355 days during the past 2 years: 6 months in Okinawa, 3 months in Haiti, a month stationed in California, and 2 months in Bardofoss, Norway. Finally, he just deployed to Bosnia—for another 6 months away from home.

We can take pride in the 54,000 American uniformed personnel currently deployed overseas in contingencies such as Bosnia, Peru, Ecuador, Sinai, Saudi Arabia, and Southeast Asia. But to improve the quality of our services, reduce the strains on military personnel, and improve the future prospects of the overall force, fully funding modernization and operations accounts is necessary.

#### MISSILE DEFENSE

Finally, our future military posture must take notice of the emerging threats stemming from the existence of ballistic missiles throughout in the world.

American troops deployed around the world are currently threatened with attack from various in-theater missile systems, such as the Iraqi SCUDs during the Gulf war. At the same time, the Central Intelligence Agency points out that an offensive ballistic missile threat to the continental United States could possibly emerge in the next 7 to 10 years, although it is unlikely.

An appropriate antimissile defense program should be pursued to address both threats. Funding priority should be given to theater missile defense (TMD), and re-

search and development of a limited national missile defense (NMD) should continue. As a result, I am satisfied with the administration's plan to pursue research for 3 years on an NMD program. At that time, a decision for a program acceleration can take place.

#### IKE SKELTON'S COMMON SENSE DEFENSE PLAN

[For illustrative purposes only, dollars in billions]

|   | Fiscal year |       |       |
|---|-------------|-------|-------|
|   | 1997        | 1998  | 1999  |
| Current DOD Budget Plan .....           | \$243       | \$248 | \$254 |
| Total DOD Shortfall Requirement .....   | +13         | +16   | +15   |
| Reduction in Non-defense Spending ..... | -1          | -1    | -1    |
| Skelton Proposed DOD Increases .....    | +12         | +15   | +14   |
| Skelton Targets for Defense .....       | 255         | 263   | 268   |

#### U.S. ARMY FUNDING ISSUES

- Overcommitted force structure—a minimum Army force of 495,000 soldiers is needed to eliminate overcommitted units in performing peacetime contingency operations and in responding to a simultaneous major regional contingency. Some Army units are stretched thin by ongoing humanitarian and peacekeeping operations. This results in degraded warfighting capabilities to fight and win major regional contingencies.
- Critical loss of training readiness of units—training funds have been diverted from unit training and exercises to pay for contingency operations.
- Reduced availability of equipment. Increased equipment maintenance backlog.
- Poor condition of facilities. Increased real property maintenance backlog.
- Reduced soldier and family morale. Underfunded housing and family support programs.
- Broken modernization programs. Jeopardized superiority of Army fighting force.

#### U.S. ARMY: SKELTON PROPOSED ARMY BUDGET PLAN

[Dollars in billions]

|  | Fiscal year |        |        |
|--|-------------|--------|--------|
|  | 1997        | 1998   | 1999   |
| Administration's Budget Request .....  | \$59.8      | \$59.1 | \$60.9 |
| Skelton Estimated Army Shortfall .....   | +1.5        | +2.3   | +2.4   |
| (Force structure, O&M, and modernization—does not include pay increase requirements) |             |        |        |
| Skelton Proposed Army Budget .....   | 61.3        | 61.4   | 63.3   |

#### U.S. NAVY FUNDING ISSUES

- Stretched force structure. Navy ships conducting presence missions stretched thin by increased humanitarian and peacekeeping operations.
- Critical loss of training readiness of aviation units through the diversion of unit training and exercise funds to pay for contingency operations.
- Reduced availability of equipment. Increased equipment maintenance backlog and delayed delivery of spare parts.
- Poor condition of facilities. Increased real property maintenance backlog.
- Reduced sailor and family morale. Underfunded housing and family support programs.
- Delayed modernization program jeopardizes long-term capabilities of Navy's fighting force.

#### U.S. NAVY: SKELTON PROPOSED NAVY BUDGET SHORTFALLS

[Dollars in billions]

|  | Fiscal year |        |        |
|--|-------------|--------|--------|
|  | 1997        | 1998   | 1999   |
| Administration's Budget Request .....  | \$74.0      | \$77.1 | \$79.6 |
| Skelton Estimated Navy Shortfall ..... | +2.8        | +6.0   | +3.9   |

## U.S. NAVY: SKELTON PROPOSED NAVY BUDGET SHORTFALLS—Continued

[Dollars in billions]

|  | Fiscal year |      |      |
|--|-------------|------|------|
|  | 1997        | 1998 | 1999 |
| (Force Structure, O&M, and modernization—does not include pay increase requirements) |             |      |      |
| Skelton Proposed Navy Budget .....   | 76.8        | 83.1 | 83.5 |

## U.S. MARINE CORPS FUNDING ISSUES

- Loss of training readiness through the diversion of unit training and exercise funds to pay for contingency operations.
- Poor condition of facilities. Increased real property maintenance backlog.
- Reduced Marine and family morale. Underfunded housing and family support programs.
- A generation behind in equipment modernization. Delayed modernization jeopardizes superiority of Marine fighting force and impairs interoperability in joint operations.

## U.S. MARINE CORPS: SKELTON PROPOSED USMC BUDGET SHORTFALLS

[Dollars in billions]

|  | Fiscal year |       |        |
|--|-------------|-------|--------|
|  | 1997        | 1998  | 1999   |
| Administration's Budget Request .....  | \$9.7       | \$9.8 | \$10.3 |
| Skelton Estimated USMC Shortfall .....   | +0.7        | +0.7  | +0.8   |
| (Force structure, O&M, and modernization—does not include pay increase requirements) |             |       |        |
| Skelton Proposed USMC Budget .....   | 10.4        | 10.5  | 11.1   |

## U.S. AIR FORCE FUNDING ISSUES

- Highly committed force structure. Air Force tanker, lift, and tactical fighters require replacement due to losses and wear by increased surveillance and peacekeeping operations. Degraded tactical air capabilities to fight and win major regional contingencies.
- Inferior condition of facilities. Increased real property maintenance backlog.
- Reduced service member and family morale. Underfunded housing and family support programs.
- Reduced superiority in technology to fight the air war. Delayed modernization of fighter, lift, and bomber fleets jeopardizes superiority of American airpower.

## U.S. AIR FORCE: SKELTON PROPOSED USAF BUDGET PLAN

[Dollars in billions]

|  | Fiscal year |        |        |
|--|-------------|--------|--------|
|  | 1997        | 1998   | 1999   |
| Administration's Budget Request .....  | \$71.9      | \$73.2 | \$75.7 |
| Skelton Proposed Air Force Shortfall .....   | +3.4        | +4.3   | +4.4   |
| (Force structure, O&M, and modernization—does not include pay increase requirements) |             |        |        |
| Skelton Proposed Air Force Budget .....  | 75.3        | 77.5   | 80.1   |

Chairman KASICH. Thank you, Mr. Skelton.

Questions for Mr. Skelton? Somebody has got to have a question.

Well, then, Ike, let me say that you obviously are deeply concerned about all of this, and we are glad that you came last year, and we are glad that you have come this year. And I think you are one of the leading voices on the Armed Services Committee, Uniformed Public Works Committee, or the National Security Committee. I cannot get the name right sometimes. You are a leading force on there. And there is nobody who has stuck up more for the man

and woman in uniform than Ike Skelton has, and so I very much appreciate your testimony.

Mr. Orton.

Mr. ORTON. Mr. Chairman, I would like to just concur with you in that. Having worked with Ike for the last 5, almost 6 years, I know him to be very committed to our national security as well as to the specific men and women who serve in uniform. And I commend him for that, and I would also like to say that many if not a supermajority of both parties, Democrat and Republican, are very concerned with the issues that Ike has raised. We are deeply concerned about national security and want to ensure that the amount in the budget for national security allows us to maintain the commitment to our people as well as the commitment to the people who serve in uniform. And so I commend Ike for his statement and appreciate it very much.

Mr. SKELTON. Thank you.

Chairman KASICH. Mr. Bunning.

Mr. BUNNING. I just want to thank Ike for his continued support for our military. As he and I both know, we worked very hard to get something over to Bosnia to make sure that our military personnel were taken care of as though they were in a combat zone, even though it was not designated as one. His contribution to that was critical in getting that bill passed. The numbers that you have put forth in your proposal, Ike, are more in line with my thinking than with what I have read in the President's budget, and I will do everything in my power to see to it that it is done.

Mr. SKELTON. Well, I appreciate it.

Mr. Chairman, let me say a good word about Mr. Bunning. It was a delight to work with him, and thanks to his leadership, the bill that truly helped to take care of the troops in Bosnia, they will appreciate.

Thank you.

Chairman KASICH. Thank you, Mr. Skelton.

Mr. SKELTON. Thank you so much.

Chairman KASICH. I recognize Mr. Gekas for his testimony.

#### **STATEMENT OF HON. GEORGE W. GEKAS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA**

Mr. GEKAS. I thank the Chair. I feel I have to get a taxi to get my testimony up to the chairman. How far away am I here?

Mr. BUNNING. You can move up if you would like, Mr. Gekas.

Mr. GEKAS. I would like to stand in front of you up there.

But at any rate, I am here for two reasons. First, I would like to submit my written statement for the record.

Mr. BUNNING. Without objection.

Mr. GEKAS. And then briefly outline its comments. But before I do that, I want to do something extracurricular, and that is to join whatever testimony you are going to be receiving now and in the future on increased funding for NIH. That is extra to my stated purpose for being here, but I just want to add to the chorus of those who want to help preventive measures and research that is so necessary not for their own sake alone but also in the total health care problem that we face in this country.

This proposal of mine having to do with the budget was first brought to the attention of your committee when you held joint hearings with your Senate counterparts back in September 1995. I term it the instant replay legislation. Let me just historically set this in place for you: in 1989, I first introduced legislation that would say that on September 30, if any appropriation bill has not been enacted by the fiscal deadline of October 1, then, the next day, automatically, there would be a replay of last year's budget at a lower level or the House-passed version or the Senate-passed version; does that sound familiar to you? In recent years, we have done that with the CRs that we have adopted from time to time. But mine would go into effect automatically.

What is the purpose of that, and what is the effect of that? The effect of that is that we would never have a government shutdown. What brought me to introduce the legislation back in 1989 was the threat of and actual shutdowns that we experienced. Now, here is the irony of it, and I am glad you are paying attention to this, because it involves all of us: I went before the Rules Committee, then headed by Senator Pepper, by Claude Pepper, and later, of course, he was supplanted by Joe Moakley after we lost Claude Pepper.

But anyway, the Democrat leadership and the Democrat rank and file of the Rules Committee unanimously voted against me every time I presented this concept of the instant replay, and the Republicans all voted for it. That is not so unnatural, is it? But that happened every single time I went before the Rules Committee since 1989, and I went before the Rules Committee a dozen times—like 2 or 3 times—each budget cycle because of our CR situation that appeared almost every time.

The Democrats acknowledged at that time that they were against it because this robbed them, the majority, their leadership, their rank and file, their majority, robbed them of the ability to negotiate with the President, and if they did not have the threat of a shutdown or an actual shutdown looming, then the Democrats on the Rules Committee felt that they were robbing their leadership of the ability to negotiate forcefully with a weapon with the President of the United States. So each time, I was beaten down by the Democrats, supported by the minority Republicans, but, of course, to no avail.

Now comes 1995, and I reintroduce my legislation, and I dutifully explain this to everybody in the world. I appeared before the Rules Committee, and what happens? The Democrats embraced my legislation to a man, saying what a wonderful solution this would be to the problem that we have of government shutdowns, and the Republicans voted against it because it robbed their leadership of the ability to negotiate with the President. So this is awful, and everybody agrees that we cannot have a government shutdown ever again. If we had put my legislation in back in 1989, we would never have the threat of or an actual shutdown. And here is where I cannot make the point clear, both then to the Democrats and now to the Republicans: the negotiating power is not eliminated from the effect of my bill. If my bill goes into effect, let us say, next week when this CR runs out, if my bill were to be in place, there would be an automatic replay of the existing CR, and so we would go on for another cycle, and meanwhile, the negotiations can go on.

Instead of going through the trauma that we did yesterday with the Democrats ranting and raving that they did not have a chance to have any input in this CR, which is a routine thing, and everybody knows it, and the Republicans very smugly saying we have got to do it because there is no other answer, the Democrats should have voted against it as they did and then urged the President to veto it. That is what they should have done, but they did not. And the Republicans should have a CR that is poised for a continuance beyond a week, in my judgment.

But anyway, all my bill does, this instant replay bill, I repeat, is provide a mechanism to prevent a shutdown. Every time we come to the end of a CR or a regular budget outlay until September 30 is allow a repetition, an instant replay of the previous cycle in that appropriation until the negotiations bring forth the fruit of a completed appropriation. It is not difficult at all, and if you are committed to, as I am, never facing a shutdown again, we would incorporate this into the budget process.

Why is it important to your hearings? Because the government shutdown, from the first one that we were able to trace way back in 1988 until now, each shutdown or even the threat of a shutdown costs money. How does the threat of a shutdown cost money? Do you remember Alice Rivlin running around corralling everybody in the Federal Government to try to rev up the preparation for the shutdown? That costs money, just the revving up of the process for a shutdown that was looming, let alone the actual shutdown. And what was most disgraceful for us—and I lay this blame directly at the feet of the Democrats in this instance, was that when we were gathered, when our young people were gathered at Desert Shield in November and December 1991, hundreds of thousands of our fellow American young people gathered there with musket in hand, and their government shut down.

Inexcusable. They are armed to the teeth, ready to do what the United States wants them to do, and they have no government. That is disgraceful. I want to prevent that. That shutdown, by the way, in 1991, by conservative estimates with the 1991 dollars, worth less than today at conservative estimates, that first little one, about \$700 million. And we have testimony in the records of the recent shutdowns that approximate the same kinds of funds: \$700 million to \$750 million, et cetera. So just on a plain cost or a waste of dollars premise, we ought to adopt the instant replay legislation. Let us do it, Democrats, Republicans. I hope that you understand that I lay blame on both sides here, that I have not been partisan—I hate Democrats, but I am not partisan—and I try to be down the line, down the middle for the sake of the budget process and for the sake of the Federal employees who do not know from one day to another what is going to happen with the threat of a shutdown; for the sake of continuity of government; for the sake of saving money; for the sake of the honor of the government not to face the prospect of being tabbed ineffective around the world, let us do it.

I thank the committee for allowing me to present this testimony, and I will entertain cosponsors from any of you on my legislation.

[The prepared statement of Mr. Gekas follows:]

PREPARED STATEMENT OF HON. GEORGE W. GEKAS, A REPRESENTATIVE IN CONGRESS  
FROM THE STATE OF PENNSYLVANIA

On September 19, 1995, this committee joined with its Senate counterpart and held a hearing on "The Effects of a Potential Government Shutdown." I was not permitted to testify at that hearing; however, Senator Snowe submitted my testimony for the record. I come before you today to further discuss this issue.

You may be wondering how this relates to the stated objective of this hearing. Simply put, I come before you with a suggestion of how to save taxpayer dollars. I come before you to point out a very blatant form of waste: the government shutdown. A June 1991 GAO report estimated that a 3-day work week shutdown could cost as much as \$607 million. In fact, Republican National Committee used this figure to point out the waste President Clinton committed by vetoing the appropriations bills Congress sent him.

As you set out to craft a balanced budget to ensure the economic health of this country, you have my complete support and admiration. But before we cut someone else's wasteful spending, we must look at our own. We took great strides in controlling congressional spending during the fiscal year 1996 budget cycle by cutting committee staff and passing a legislative branch appropriations bill that helped move us toward a balanced budget. I applaud these efforts and support them. But these cuts are not enough.

If the Federal Government, more specifically, the executive and legislative branch, cannot do the responsible thing and complete appropriation bills on time, taxpayer dollars should not be wasted. I have crafted a solution to this problem, a piece of legislation I call "Instant Replay." I come before you today to implore you to support my legislation and end the threat of a government shutdown and the waste it causes.

The solution I have devised to this problem is an automatic continuing resolution which acts as a safety net. At any time when the government would shut down, my bill would keep the government open and provide a very low level of funding by which operations would continue. I have tried to carefully craft this bill to provide for such a low level of funding that the White House and the appropriators would have reason to continue negotiating. I have also allowed a continuing resolution to supersede my safety net. Therefore, if the budget negotiators want to craft their own spending formula, they can.

The true beauty in this legislation is that it shifts the negotiating power from the status quo to reduced funding levels. Under the current system the individual who is trying to cut funding has an uphill battle. With my legislation in place, lower funding levels would automatically occur if we do nothing. Those fighting to keep money will have to enact legislation. As we saw as part of the fiscal year 1996 budget cycle, those of us who were trying to cut funding had an uphill battle to pass legislation. I believe that my legislation will help shift this balance of power and aid in the effort to balance the budget.

While you are considering ways to save taxpayer dollars, balance the budget, and reform the budget process, I hope you will keep this problem and my legislation in mind. Chairman Kasich, members of the committee, I thank you for your time and attention.

Mr. BUNNING. Mr. Gekas, I am sure you do not hate the Democrats who live in your district.

Mr. GEKAS. No, that is right.

Mr. BUNNING. Is there anyone who has a question for Mr. Gekas?

Mr. Costello.

Mr. COSTELLO. George, you obviously had a bill last year. Have you reintroduced this bill? Does it have a number?

Mr. GEKAS. H.R. 2006.

Mr. COSTELLO. H.R. 2006? And how many cosponsors do you have as of this date? Do you have any idea?

Mr. GEKAS. Eight.

Mr. COSTELLO. Very good; thank you.

Mr. GEKAS. Now, we have nine, right?

Mr. BUNNING. Any other questions? [Laughter.]

Thank you, Mr. Gekas.

Mr. GEKAS. Thank you very much.

Mr. BUNNING. Mr. Blute.

**STATEMENT OF HON. PETER BLUTE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS**

Mr. BLUTE. Thank you, Mr. Chairman, and ranking member Sabo, thank you for allowing me to testify in front of the Budget Committee.

I believe this committee has been the committee that has done most of the heavy lifting surrounding our efforts to balance our Federal budget, and I want to commend all of the members of this committee for their tremendous work. I appreciate the opportunity to come before you today and share with you my thoughts about the Federal budget for the next fiscal year and some of the programs that I believe should be priorities as we go about the business of balancing the budget. I firmly believe we must continue that fight. We must seize the opportunity to rescue our children's future and restore fiscal sanity to the Federal budget process.

However, I believe that when making tough decisions, we need to look at the programs we are talking about and find out about the ones that work and the ones that do not work and obviously eliminate the ones that do not work or reform the ones that do not work but also recognize those programs that are working out there in the community. And I just wanted to bring to the attention of the committee as I did last year a program that I think works fairly well, that has delivered low-income energy fuel assistance to constituents of mine in my district. I have seen this program work up close. I have monitored it, and I believe that it is a program that is worthy of the support of this committee.

For many elderly and disabled Americans, LIHEAP is the only means available to help defray the high energy costs associated with some of the demands of a harsh winter. LIHEAP provides much-needed energy assistance services for thousands of poor and elderly Americans who otherwise could not afford to heat their homes during the cold winter months, and recent winters, as you know, have been very, very severe indeed. It is estimated that nearly 5.1 million households nationwide received heating assistance during fiscal year 1995, and about half of those households contained an elderly or disabled person.

It should also be pointed out that if LIHEAP funding is eliminated, the private sector may not necessarily, as some have stated, be able to absorb fuel assistance costs. In New England, for example, in my region, the primary fuel concern during the winter months is heating oil. While large electric or gas utilities may be able to absorb the cost for needy customers who cannot afford to pay their bills, small, independent heating oil companies cannot afford to reduce the prices, and as you know, we have imported oil that we use up in the Northeast, and that is more expensive to fund.

The best part about LIHEAP, though, is that it is a block grant program, and it is the model of efficiency in a Federal program. Administrative expenses are capped at 10 percent, and each State has the flexibility to distribute these funds that suits the needs of each individual State.

I will not go on, but I would ask unanimous consent to submit my testimony for the record. But I would just say to the members of the committee that this is a program that I think is worthy of support. As you know, the House did not fund it this last budget that we put forth. The Senate did at \$900 million, and some money has continued to flow to this program during the continuing resolutions that we have been living under. So I would just urge this committee to take a hard look at this program. I do think it is one program that the Federal Government does that really works well that is narrowly defined to people who truly need this type of assistance, and I would respectfully ask the committee to take a look at this request.

Thank you very much, Mr. Chairman and members of the committee, for having me testify.

[The prepared statement of Mr. Blute follows:]

PREPARED STATEMENT OF HON. PETER BLUTE, A REPRESENTATIVE IN CONGRESS  
FROM THE STATE OF MASSACHUSETTS

Mr. Chairman and members of the Budget Committee, I appreciate the opportunity to come before you today, to share with you my thoughts about the Federal budget for the next fiscal year, and some of the programs that I believe should be priorities for the Congress.

I firmly believe we must continue to fight for a balanced Federal budget, seize the opportunity to rescue our children's future, and restore fiscal sanity to the Federal budget process.

However, when making the tough decisions, and taking the tough votes, which we all have done, we must not cut blindly or widely. Many Federal programs do work and serve a real need in communities around the Nation. In the Northeast and especially Massachusetts, the Low-Income Home Energy Assistance Program (LIHEAP) is one Federal program which truly serves the community well.

As many of you know, this winter has been extremely harsh in the Northeast, in fact, nearly every city has set record snow fall levels and more snow fell in Massachusetts this week. Unfortunately, this winter is not the exception, it is becoming the rule. For many elderly and disabled Americans, LIHEAP is the only means available to help defray the high energy costs associated with high energy demands of a harsh winter.

LIHEAP provides much needed energy assistance services for thousands of poor and elderly Americans who otherwise could not afford to heat their homes during the cold winter months. It is estimated that nearly 5.1 million households nationwide received heating assistance during fiscal year 1995 and about half of those households contained an elderly or disabled person.

It should also be pointed out, that if LIHEAP funding is eliminated, the private sector may not necessarily be able to absorb fuel assistance costs. In New England, the primary fuel consumed during the winter months is heating oil. While large electric or gas utilities may be able to absorb the costs for needy customers who cannot afford to pay their bills, small independent heating oil companies cannot afford to lose that revenue. In fact, home heating oil companies already sell fuel at substantially reduced prices to their LIHEAP customers. Placing an additional financial burden on these small businesses is not a smart thing to do, and it will not work.

The best part about LIHEAP is that it is a block grant program and is the model of efficiency in a Federal program. Administrative expenses are capped at 10 percent and each State has the flexibility to disburse funds in a manner that suits the needs of the individual State.

As you may know, LIHEAP was not funded by the House, but, the Senate did provide for \$900 million in their committee report. In fiscal year 1996, LIHEAP has been funded through the stream of continuing resolutions. The piecemeal funding stream has been very disruptive for States and has made it difficult to administer their fuel assistance programs. I am asking that you adequately fund the LIHEAP program in fiscal year 1997 so that it can continue to provide essential services to Americans who need a helping hand to pay their winter heating bills.

Mr. Chairman, LIHEAP is not another bureaucratic welfare program long on good intentions but sadly short on outcome. Instead LIHEAP helps hard-working, economically disadvantaged people make ends meet.

While I strongly believe that balancing the budget and reducing the deficit should be our No. 1 priority, a program as important as LIHEAP is to the well being of Americans should not be sacrificed in the zeal to eliminate our budget problems. Mr. Chairman, thank you again for the opportunity to be here today and share my thoughts on this effective and vital Federal program.

Mr. BUNNING. Mr. Sabo, any questions?

Sure, Mr. Bass.

Mr. BASS. Thank you very much, Mr. Chairman.

Congressman Blute, I certainly appreciate your bringing to the attention of the committee this important program. And as you mentioned in your testimony, it was funded ultimately, I believe, at \$900 million in the budget. I am not exactly sure what the funding situation is during a continuing resolution process today.

I guess my question to you is at \$900 million—that is approximately 60 percent of its funding level from 1995—is it possible to meet the basic needs at that funding level? Can we get by with that?

Mr. BLUTE. Well, I think obviously, the reduction is a strain on the program. Again, it is a narrowly defined program. Only 5.1 million American families participate in this program, and that is nationwide. So it is very narrowly drawn for those who truly need this assistance: the disabled, the elderly who at the end of the month during severe winters find that they cannot make ends meet because their heating costs jet up. I mean, it is incredible in some of the parts of the country how quickly that can happen and how expensive it can be. I think, although under this situation that we face, obviously, we are in a difficult budget situation, I think \$900 million to \$1 billion would be very adequate funding under the circumstances. Obviously, we may like more, and previously, I think, the program was \$1.3 billion. But I think we need to make a significant commitment to this program. I believe the Senate believes that also, and I am just hoping that this Budget Committee will also recognize that this is a very good program.

Mr. BASS. Thank you very much, Mr. Blute, and the record should show that I agree with your testimony.

Mr. BLUTE. Thank you very much, Mr. Chairman, and I would like to submit this for the record.

Mr. BUNNING. Without objection.

Since we do not have any more witnesses, we have to recess until they arrive. They are on their way; there are two. So without objection, we are recessed until new people come.

[Recess.]

Mr. BUNNING. The committee will come to order.

Mr. Longley, if you would go ahead with your testimony, we would appreciate it.

#### STATEMENT OF HON. JAMES B. LONGLEY, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MAINE

Mr. LONGLEY. Thank you, Mr. Chairman.

I want to take advantage of the opportunity this morning to provide a little bit of a historical perspective on the issue that you are attempting to wrestle with, and that is that I want to go back 20 years to 1975, when the Budget Reform Act was passed in this Congress, and this committee was created; the Senate Budget Committee was created, and we also created the Congressional Budget

Office. And I mention that because in 1975, dealing with the issue of Federal spending, the deficits and the overall national debt were considered of paramount importance, and the Budget Reform Act was a reflection of Congress' conclusion that the budget process had failed and failed miserably in controlling Federal spending.

And given that background, and given the fact that Senator Muskie of Maine was the first chairman of the Senate Budget Committee, and my own personal relationship with this, given the fact that my father, the Independent Governor Longley of Maine, was in 1976 appointed as one of the first national cochairmen of the Committee for a Balanced Budget Amendment, I felt it important to maybe go back and take a look at the actual progress that we have made and frankly the way that we have attempted to approach the issue of spending and the deficits.

And what you have before you in the chart entitled Deficit Control Legislation, 1980-1993, represents a summary based on research through the Congressional Research Service, CBO, as well as the Congressional Quarterly, a summary of the 16 major pieces of legislation between 1980 and 1993 attempting to deal with the issue of the budget and Federal spending. And you will notice a variety of titles, beginning with the Omnibus Reconciliation Act, and then, we had six or seven Omnibus Budget Reconciliation Acts. Then, in 1985, we had a Consolidated Omnibus Budget Reconciliation Act. And, of course, we had the Balanced Budget and Emergency Deficit Control Act, and then later, a Balanced Budget and Emergency Deficit Control Reaffirmation Act.

I mean, we have literally had in the last 16 years every piece of legislation, with the sole exception of a bill entitled the "We Are Really, Really, Really Serious About Balancing the Budget Act." And the fact is that when you look at what was projected in these pieces of legislation, specifically, if you go to the projections column, in about two-thirds of these pieces of legislation, Congress projected what it was going to increase taxes by and at the same time projected spending cuts. And you will note that I put "tax increases" in quotes, and I also put "spending cuts" in quotes.

And the point of this is to characterize these increases and/or these cuts as Congress' representation of what was actually going to happen. And then, I added a third column, which gets into actual results. And if you notice the column that says "actual fiscal year spending," beginning in 1980 and actually carrying down through 1997, there is not a single year in the last 20 years, particularly, at least, going back to 1980, where Congress has actually "cut" spending.

Furthermore, if you look at the percent column in terms of the annual rate of increase, you will find that we begin in 1980 with about a 17.5-percent increase in spending and then, again, in each of the single years right through 1993 and even carrying on through the current budget, the fiscal year 1997 budget, again, continuous increases in spending.

[The chart referred to follows:]

## DEFICIT CONTROL LEGISLATION 1980-1993

| Year | Legislation  | Title   | Legislative action |         |                      |                        | Projections     |                 | Actual results                  |                     |
|------|--------------|---|--------------------|---------|----------------------|------------------------|-----------------|-----------------|---------------------------------|---------------------|
|      |              |   | Vote total         |         | Democrats<br>Yea Nay | Republicans<br>Yea Nay | "Tax increases" | "Spending cuts" | Actual fiscal year spending     | Annual increase (%) |
|      |              |   | Yea                | Nay     |                      |                        |                 |                 |                                 |                     |
| 1980 | H.R. 7765    | Omnibus Reconciliation Act of 1980                                      | 334-45             | 200-36  | 134-9                | \$3.6                  | \$4.6           | \$590.9         | 17.4                            | 13.5                |
| 1981 | H.R. 3982    | Omnibus Budget Reconciliation Act of 1981                               | 232-193            | 47-188  | 185-5                | 35.0                   | 678.2           | 14.8            | 10.3                            |                     |
| 1982 | H.R. 4961    | Tax Equity and Fiscal Responsibility Act of 1982                        | 226-207            | 123-118 | 103-89               | 98.0                   | 17.0            | 745.8           | 10.0                            | 6.2                 |
| 1983 | H.R. 6955    | Omnibus Budget Reconciliation Act of 1982                               | 243-176            | 91-142  | 152-34               | 13.0                   | .....           | .....           | .....                           | .....               |
|      | HR. 1900     | Social Security Amendments of 1983                                      | 243-102            | 163-54  | 80-48                | .....                  | .....           | 808.4           | 8.4                             | 3.2                 |
|      | H.R. 4169    | Omnibus Budget Reconciliation Act of 1983                               | (1)                | (1)     | .....                | .....                  | .....           | .....           | .....                           | .....               |
| 1984 | HR. 4170     | Deficit Reduction Act of 1984   | 268-155            | 192-69  | 76-86                | 50.0                   | 13.0            | 851.8           | 5.4                             | 4.3                 |
| 1985 | H.J.Res. 372 | Balanced Budget and Emergency Deficit Control Act of 1985               | 271-154            | 118-130 | 153-24               | .....                  | .....           | 946.4           | 11.1                            | 3.6                 |
|      | H.R. 3128    | Consolidated Omnibus Budget Reconciliation Act of 1985                  | 230-154            | 84-133  | 146-21               | 6.0                    | 12.0            | .....           | .....                           | .....               |
| 1986 | H.R. 4420    | Military Retirement Reform Act of 1986                                  | 399-7              | 226-6   | 173-1                | .....                  | .....           | 990.3           | 4.6                             | 1.9                 |
|      | H.R. 5300    | Omnibus Budget Reconciliation Act of 1986                               | 305-70             | 193-19  | 112-51               | 30.0                   | 24.0            | .....           | .....                           | .....               |
| 1987 | H.J.Res. 324 | Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987 | 230-176            | 125-111 | 105-65               | .....                  | .....           | 1,003.9         | 1.4                             | 3.6                 |
|      | H.R. 3545    | Omnibus Budget Reconciliation Act of 1987                               | 237-181            | 193-51  | 44-130               | 23.0                   | .....           | .....           | .....                           | .....               |
| 1988 | do           | .....   | .....              | .....   | .....                | .....                  | .....           | .....           | .....                           | .....               |
| 1989 | H.R. 3299    | Omnibus Budget Reconciliation Act of 1989                               | 272-128            | 186-47  | 86-81                | 28.0                   | 29.0            | 1,064.1         | 6.0                             | 4.1                 |
| 1990 | H.R. 5835    | Omnibus Budget Reconciliation Act of 1990                               | 228-200            | 181-74  | 47-126               | 137.0                  | 236.0           | 1,143.2         | 7.4                             | 4.8                 |
| 1991 | do           | .....   | .....              | .....   | .....                | .....                  | .....           | 1,252.7         | 9.6                             | 5.4                 |
| 1992 | do           | .....   | .....              | .....   | .....                | .....                  | .....           | 1,323.8         | 5.7                             | 4.2                 |
| 1993 | H.R. 2264    | Omnibus Budget Reconciliation Act of 1993                               | 218-216            | 217-41  | 0-175                | 241.0                  | 255.0           | 1,380.9         | 4.3                             | 3.0                 |
| 1994 | do           | .....   | .....              | .....   | .....                | .....                  | .....           | 1,408.2         | 2.0                             | 3.0                 |
| 1995 | do           | .....   | .....              | .....   | .....                | .....                  | .....           | 1,460.6         | 3.7                             | 2.6                 |
| 1996 | do           | .....   | .....              | .....   | .....                | .....                  | .....           | 1,530.0         | (4.8)                           | 2.8                 |
| 1997 | do           | .....   | .....              | .....   | .....                | .....                  | .....           | 1,586.0         | (3.7)                           | .....               |
|      |              | Overall totals 1980-1993  | (millions)         |         |                      |                        |                 | 616.6           | 638.6                           |                     |
|      |              |   |                    |         |                      |                        |                 |                 |                                 | Inflation           |
|      |              |   |                    |         |                      |                        |                 |                 |                                 | (Percentage)        |
|      |              |   |                    |         |                      |                        |                 | \$14,188.6      | Average CPI increase            | 5.08                |
|      |              |   |                    |         |                      |                        |                 | 8,272.6         |                                 |                     |
|      |              |   |                    |         |                      |                        |                 | 5,916.0         | Average spending increase       | 7.77                |
|      |              |   |                    |         |                      |                        |                 | (6,386)         | (Plus) Actual legislated "cuts" |                     |
|      |              |   |                    |         |                      |                        |                 | 6,554.6         | Difference                      | 152                 |
|      |              |   |                    |         |                      |                        |                 | (1,640.0)       | (3.4)                           |                     |

<sup>1</sup> Voice vote. Sources: Congressional Research Service (legislation), Congressional Budget Office (revenue and spending), and Congressional Quarterly (vote totals).

I added a third column under "Actual results" entitled "Actual Consumer Price Index" for that particular year. Now, the point I want to make is that if you go to the bottom of the page and look at the "Taxes increased chart for fiscal years 1980-1993," you will notice that the total revenues raised based on the CBO figures between fiscal year 1980 and fiscal year 1993 is over \$11.5 trillion. And I went back to 1980 to determine a base year for spending, namely, the amount of money that we spent in 1980, the amount of money that we actually spent in 1980, and it was about \$590.9 billion. And I took that figure, multiplied it by the 14 years between 1980 and 1993 to determine the base revenues, meaning if we had not cut or increased spending from 1980 forward, we would have only raised revenues of \$7.2 trillion.

And so, in effect, if you compare the base revenues from the 1980 through 1993 budgets against total revenues actually raised, you will find that we actually extracted \$4.3 trillion more from the taxpayer in increased taxation using 1980 as the base year through 1993. And when we subtract the actual legislated "tax increases" of \$0.6166 trillion, it turns out that despite the advertising to the public that we were only increasing taxes by \$616 billion, the reality is that we increased taxes on the American public by \$3.7 trillion more than we said we were going to do.

And by the same token, if you look at spending from fiscal year 1980 through fiscal year 1993, we actually spent \$4.1 trillion. I look at 1980 to determine the base spending of the \$590 billion, and it shows that if we had not increased spending, we would have spent \$8.27 trillion over those same 14 years. So we have seen an actual spending increase of almost \$6 trillion. And when you add in the "cuts" that were supposed to take place, the result is that spending actually increased by about \$6.5 trillion, again over the base year calculation, assuming that we had held that to be constant during those 14 years.

The point I want to make is this: we have developed a language in Washington that is not accurately or honestly conveying to the American public what we are doing. We have built in increases in taxation based on a percentage system wherein every bias is in favor of the government and every prejudice is against the American taxpayer. We have also talked loosely about the notion of spending cuts, but the reality is that in those 14 years, there is not a single year wherein spending was really, truly cut. We have fooled ourselves by talking about reductions in projected rate of increases; the reality is that we have talked and talked and talked, and in the substance, we have increased spending considerably over what the American public was led to believe we were going to do.

And I want to make one other point: and if you look at the center column entitled "Legislative action," you will notice that I have broken down the vote total on each of those 16 pieces of legislation over a 14-year period of time. Then, I have taken what the House Democrats voted yea and nay and what the Republicans voted yea and nay in each of those 16 bills. It is very significant to me that the Democrats in the House by a majority vote supported these pieces of legislation 12 out of the 16 times, and I have put those numbers in bold print. By the same token, Republicans in the

House have agreed with these pieces of legislation by a majority vote 12 of the 16 times. So much for bipartisanship: both parties have contributed to the increases in spending. And what is different between today in this Congress versus prior Congresses, both Republican and Democrat, is that we are going to be honest with the American people and deal with reality. And the reality is that we have fooled ourselves under the pretense of dealing with the deficit, and we have allowed spending to increase at an unabated rate. In fact, if you go to the bottom right column, where I have indicated inflation, I calculated the average CPI increase between 1980 and 1993, and that is about 5 percent. But the average spending increase by the government during that same period of time has been 7.72 percent or literally, government has been increasing spending at a rate one-and-one-half times the rate of inflation.

It is very clear to me that despite the best intentions over the last 20 years, we have failed miserably in both identifying honestly how much we are going to tax the American public. We have not been honest about "the spending cuts." The reality is we have seen unabated increases in spending, continuing increases in deficits, and we have not dealt with the problem. And I would submit that dealing with the problem requires us to recognize that we have fooled ourselves and fooled the American public and that what has been missing has not been a conscious desire to address the issue of spending; it has been the political and personal will, the moral courage to do what has to be done to reduce spending and balance the budget.

I would be happy to take any questions.

Mr. BUNNING. Mr. Sabo, do you have any questions?

Mr. Miller.

[No response.]

Mr. Bass.

[No response.]

Thank you for your testimony.

Mr. LONGLEY. Thank you, Mr. Chairman.

Mr. BUNNING. Mr. Rangel.

#### **STATEMENT OF HON. CHARLES B. RANGEL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK**

Mr. RANGEL. Thank you. Thank you for the opportunity.

There will not be any need for you to take notes, because I will add additional material to make certain that the members of the Budget Committee will have them with backup statistical data to show how really, I think, we can get America moving forward, attempt to balance the budget and at the same time decrease our tax expenditures.

If you take a look at some of the things that really are bothering America today, politically perceived and indeed realistically, not necessarily in this order, but I would think that it is lack of safety on the street, the increase in crime, the abuse of drugs, the danger of what is happening in the family, the number of people who are in jail, the spread of AIDS, the fear that the family might be affected one way or the other by the environmental conditions, the problem with the homeless, the jobless, the threats that are in the

street, even those with jobs feeling that they should be doing better than they are doing and the fact that these problems are not only interfering with the quality of life but are becoming more and more costly as we see now that many people believe that the solution to these problems is really increased jail sentences, mandatory jail sentences, and capital punishment. And sometimes, we find in the State of New York that we have doubled the number of jails and cells that we have done in the last year or two, and this has been at the expense of actually creating decent housing and affordable housing for people.

So where do we go from here? Well, I do not come to this committee as an economist; I come seeing a problem and wondering how did we do this in the Army when we were under attack? Did we say that each one of these problems that we faced as a nation coming from an enemy that the Air Force would handle one or the Army and the Navy? Or did we bring a combined force and see how much our resources were, determine the strength of the so-called enemy and try to determine what would be the best way to handle our resources?

I was in an artillery outfit in Korea, and we did not just say fire all of the 155 howitzers north. No, they were able to find out where the clusters of the enemy were, what presented the biggest threat to our forces and to concentrate on that. And so with that idea in mind, being on the Ways and Means Committee and chairman at that time of the Oversight Committee and also chairing the Select Narcotics Committee, I then took, as I would have as an artillery person, and put on the map all of the things that I mentioned to you and tried to determine which communities really were responsible for these problems that we had and which communities were we—Mr. Chairman, it is so good that you would come to hear my testimony. You never cease to amaze me.

Chairman KASICH. I had to come. I could not miss it.

Mr. RANGEL. I just knew that. Well, it was your idea, and I was just saying how you gave it to me, and I am sharing with the rest. I did not mention your name before, but since you are here, you might as well take credit.

And so what I did was to say if it is unemployment and crime, let us plot where we have these problems in America, and let us find out how much money we are spending to deal with these problems. And so I got the Office of Management and Budget to plot the areas of the highest unemployment; the areas of the highest crime; the highest drugs; the highest teenage pregnancies; the highest homelessness; the highest affordable housing; the highest drug use; the highest number of people in jail; the highest number of drug addicts; the highest number of rehabilitation centers; the relationship between addicts and the medical problems that they cause with not just AIDS but diabetes and heart problems and how much money do we spend in the public hospitals and the clinics with the gunshot wounds?

All of this material was prepared for me by Dick Darman of the Ford administration, and it was amazing that we were talking about hundreds of billions of dollars that the country was spending on prisons and clothing and food and medical care in the hospitals, the billions that are spent on the homeless, that if you could take

the per capita amount that you are spending on them, each one of them could get a home.

And so in doing that, we were able to say let us get the profile of the person in the jail. They were unemployable; they were not trained; 90 percent were involved in drug abuse programs. So let us find out who they were. Most of them dropped out of the schools; they came from communities that did not have job opportunities. And so in talking with Jack Kemp, in talking with Newt Gingrich and in sharing my views with your Chair, we said, hey, something should be done instead of just firing these good-willed, heart-bleeding programs all over the country from the Congress; instead of having the cities trying to do it, the towns and the localities trying to do it, and the States with their programs and the Congress saying we know best, why can't we come together and see what has gone wrong not just for the Nation but in these areas that are giving America not only worse problems but are costing us the most money.

Right now, there is a big fight in New York between the United Federation of Teachers and our mayor, a big contract dispute. Not once has the quality of education of the kids become an issue. It is all salaries; it is all tenure; it is all fringe benefits. But when you get to the bottom line, it is can we afford to pay \$6,000 a year to keep a kid in elementary school where no one mentions the fact that we pay \$60,000 a year to keep a bum kid in Riker's Island in a detention center. It is never mentioned, the cost of penitentiaries, prisons, city, State, even Federal.

And so if you get back to how it all starts, it all starts in something that is not happening in the home; this being sent to the school; the problems being concentrated in the schools; the schools being allocated money based on property values, taxes; the fact that if you are in a poor neighborhood, you do not get the same money per capita. But even if you did double that amount of money, it would not do much good because of the size class, the fact that we accept that teachers have to be looking for abused children, drug abusers, alcoholics, kids who are not eating, kids who are sick and expected to teach; the fact that throughout the country, seniority determines where you are able to go to teach. And so, we get inexperienced teachers, some not licensed, in the schools where we need the experience the most.

So we are not surprised that we find the highest amount of dropouts, but then again, who cares? Well, nobody. But let us go and see what happens to the dropouts. They are in the streets in communities which have abandoned housing, where the role models have left, where getting married is not a big issue, and where the kids are now in the street without any recreation facilities, without anyone giving guidance, and someone says we can make your life a lot easier if you do drugs.

I appreciate the fact that Mrs. Reagan—I have said it publicly—did more than a whole lot of people with programs by just saying "just say no." I think it really has worked for those people who understood what she was saying. But to tell a kid "just say no" when he has no home to go to, no parents to speak of, no training, no job opportunities, the question then becomes "what the hell has the kid got to lose?"

And how do they manifest their lack of feeling that they have anything to lose? Some go out and shoot guns, knowing that one day, whoever they shot will come back to shoot them up. The kids go to more funerals than they do to graduations. So give me a break; do not tell them that they will die young. It is a big deal to go to jail and to come out and talk about the time that you have done. And so, therefore, some of the girls—which is difficult as hell for me to understand—they are not looking for husbands; there are no husbands out there in the black minority community. They are jobless bums. The husband types have moved out of the community.

And so, if she is looking for love—I do not understand it; I am not taking questions on it—but having a baby and knowing the baby is hers and not even thinking about how the baby is going to survive is a big thing in the poor communities. And priests and nuns and social workers will tell you that, but I am out of it, because I do not understand it. But it is happening: marriage is not even on the agenda. The picket fence; the dreams that they can really raise kids the way America thought about it, that is all gone.

All of these kids are unemployable. And that is the reason why we in the Ways and Means Committee are just fooling ourselves with welfare reform: stop the payments; the kids would stop. You may get a couple of votes during the election or, my God, we have got to put them to work. To do what work? The immigration bill is no bill. Aliens, illegal, anything they can do can be done cheaper by people who are coming into this country.

And so I conclude by saying this: education is too important to leave up to the politicians. It is too important for us to say leave it to the States. It is too important for the States to say it is a local issue. What is the issue is where is America going? And the best people to tell us that are not only the economists but the businesspeople that the Ways and Means Committee meets with and asks what do you need from the Congress in order to be competitive?

And what do they say? We need people who are qualified to understand that we are out of manufacturing; we are out of making gizmos. We are into high tech, and we are a service community; we are the best today, and we will be better tomorrow; and that is how we have got to keep our lead. With all of the tax credits all to be eliminated with the flat tax so that Forbes and everybody will be able to have this money invested in plant equipment and high tech and all of that, notwithstanding that, research and development is going to be a big issue. Education has to fill the technological gap. And we have to have Americans who at least understand what the hell we are excelling in.

It would seem to me that if business got together with the schools that you do not need a whole lot of educators; you just tell them let the local and State governments decide the criteria for a diploma, but let the business sector determine what America needs if we are going to succeed. When I joined the Army, I thought I should be a general in charge of something. They told me I had to run behind some 155 millimeter howitzer gun. I did not even know what the heck it was, but they said that was what they needed. It is time we told our school system what America needs and man-

date that it prepares for us to move forward. If we did that, our kids would know that they are not going for a gown; they are going for a job. If they knew a job was out there, if we gave incentives for businesses to know that these kids would be prepared, they would not be making babies; they would not be candidates for drugs, and we could all move forward.

The greatest thing that took low-income, untrained whites, blacks, and other minorities through, what really put a burst in the middle class was World War II, where they allowed whites who never thought about going to college to believe it is no longer a dream; it is the GI Bill. It allowed blacks to go overseas to understand that all of life was not a minority and how great the United States was. And so I ask you this: please do not try to put a life in categories with the Labor Department, with the Education Department, with the drug czar, with the trade laws, with the tax credits. Let us try to see whether we as Americans can put together a plan, whether it is empowerment zones; whether it targets these problems to say—as we would say if it were an assault on the freedom of America—that we have a Federal plan that takes the participation of local and State governments as well as the private sector if we are going to remain the great power we are internationally.

I have said a lot. I am sorry to take so much of your time. I will give more details as to how this works to each and every one of the committee members.

I thank you for your tolerance today, and, Mr. Chairman, I thank you for your friendship and tolerance over the years.

Chairman KASICH. Well, let me just say that—do you like that, Charlie? Let me tell you: Rangel is an artist. You are an artist. And let me just say that, Charlie, you and I have been talking about this, and I do not want to belabor this; I know everybody else has questions. But I had a lady in my office; she is 29 years old. She was featured on Peter Jennings' "Person of the Week" for getting off welfare. She has three children. I said what is going on with them? She said, well, my 17-year-old has dropped out of school; my 13-year-old was sexually abused by an older boy because I was not there; and I do not know what is going to happen to my youngest daughter.

And you stop and think about the loss of humanity, of human potential. That is the greatest thing we have on the face of the earth: human flesh and blood and potential. And, I mean, it is, and that is what you are crying about, the loss of it. I have instructed my staff to look at several programs that involve the business community with the school systems. Now, they have a program in Pittsburgh, in Allegheny County, and I think they have a program in Baltimore. And I think you are exactly right. What you are saying is if we can show somebody that if you go to school, you will get a job, that will work. But frankly, Charlie, I mean, I am willing to put that in, but you know and I know that that is no panacea because they do not have anybody who loves them. If you do not have anybody who loves you when you are just a little kid, well, you come up with a lot of very goofy ways of living your life directed by people who grew up unloved who were older than you, right? I mean, it happens.

But maybe this is one thing we can develop—and you and I will put the bill in together—that will link business with schools and figure out if only on a pilot project basis. We have got to do this, because I think that if you can take the business to tell the schools teach the kids a skill that allows us to compete, right? I mean, it just makes perfect sense. Now, we will have to break the school unions and the school boards, because they and everybody else are going to say do not tell us to get these businesses in there.

Look, Charlie, you could not even go in and teach in a school today. If you went back to the Bronx and tried to go into a public school, they would not let you teach, because you do not have a certificate; did you know that? You would be the greatest teacher we could have, but you are not going to be certified. We need to change that for the next century.

I will share with you and have my staff share with whomever you want the success of these programs and how we can develop at least this model. But you are a poet.

Mr. RANGEL. I tell you, the teachers' unions are so scared that you show them how they can teach with smaller classes, and they will do it. Take my word for it politically. The second thing and quickly is when you talk about love, it is hard to interpret in legislative language that when a woman, a child, is having a baby and the father says let's get married, and she looks at him, and she says, you know, you are unemployable; you are no good; you are a bum. All you have done is to get me pregnant. And why should I marry you when you do not have hope? I think I can make it with the kid.

I am telling you, for a woman, the mother of your child, to tell you that she can do better without you, to call you a bum, to say that you are uneducated, unemployable, and you know she is right, I think a lot of them just walk away feeling that they are nobody. And nobody should have to do that. They should not have to do that.

Chairman KASICH. Let me just make one final comment, Charlie, and you might want to jump on the Chair here, but I do not agree with you that there is not a link between illegitimacy and payments. I mean, as much as what you say, which is I had a baby, and I am proud of it, I agree with that, because I have friends who work in hospitals where poor whatever, black or white, have had 13- or 14-year-old's mothers come in who were in their twenties saying thank God, you made me a grandmother. I mean, it is unbelievable stuff. But it is related to payments as well. And it would be helpful in this debate if a guy like you could actually come across the street and cast some votes on a couple of these centerpiece issues, because this debate is about the loss of—

Mr. RANGEL. If you give me a package, Mr. Chairman—we have talked a lot; we have come close to agreeing. Just do not give me a rifle shot. You give me a program, and there is no question that many of the ideas that you have that I do not vote for today I would be prepared to, which, of course, would include mandatory sentences, longer sentences. But just do not give me—

Chairman KASICH. Yes, I got you.

Mr. RANGEL [continuing]. These things as the final solution.

Chairman KASICH. Other questions of the poet here?

Mr. Sabo.

Mr. SABO. Charlie, that was great testimony, and I know it is from the heart.

Lots of things we deal with are remedial, and obviously, the best programs are ones that impact before one gets to the remedial stage of dealing with problems. I think we have put an incredible burden on the public school system in dealing with the problems that are totally different. And I think lots of the criticisms of the public schools and of teachers are just totally unfounded. They are far from perfection, but they do an incredible job with a difficult task.

But what I hear regularly from teachers is that when they deal with kids at the earliest levels of elementary school, they are already finding kids who are angry. It is very difficult to learn if you are angry when you are a first or a second grader. Or I visit with other people about programs like Head Start, and they say Head Start is great, but the parents are totally detached. They do not even bother putting their kids on the waiting list.

We have an incredible job, I think, of figuring out how we deal with parents and kids age zero to 2, 3; I do not know. We start at age 4.

Mr. RANGEL. I will tell you this: we have alternative programs in our community, and believe me, it is a miracle what you can do with the type of cases that you are talking about. Not only do you have the Head Start programs, but if you assume that the mothers of these kids know less than what the kids are being taught in many cases, then you incorporate the mother in doing something—not just sitting around being a teacher's assistant, but if they are getting assistance or they want jobs, there are a lot of things you can do which would include learning what your kid is learning and the satisfaction out of teaching your kid when the kid gets home. But I am telling you—

Mr. SABO. Is that not the key, though, of getting the parent involved at a very early age?

Mr. RANGEL. Not only involved early, but I sponsor a lot of little league softball teams. The education I get—those parents come together to watch these kids is the biggest education in the world as they learn from each other, as they grow to love, as they grow to care. But it is not a substitute for the husband, wife and the regular family life. But if you start bringing the family into the schools, as these models have, it does not cost any more money, and everyone leaves—the teachers leave believing that they taught; the parents believe that they can help their kids better. And the kids are just fantastic, notwithstanding their backgrounds or income. And these kids are not screened for these courses. They are just unbelievably good.

Let me thank this committee, and I will be putting together my testimony and sending copies to each member, seeing how legislatively, maybe, we can single out some programs. Thank you very much.

Mr. NEUMANN [presiding]. Mr. Gutknecht.

**STATEMENT OF HON. GIL GUTKNECHT, A REPRESENTATIVE  
IN CONGRESS FROM THE STATE OF MINNESOTA**

Mr. GUTKNECHT. Thank you, Mr. Chairman.

After listening to Representative Rangel, I must say that I feel a bit like a pair of brown shoes at a black tie event. I am going to talk about more mundane subjects, and it is an issue that I think you, Mr. Chairman, are particularly familiar with. It is something that you and some of the freshmen have been working on.

When we came here as freshmen Members of the 104th Congress, one of the things we were committed to was balancing the budget over the long term. One of the things that we found out—particularly those of us who served in State legislatures before we came here—was that the budget system that is used in Washington is so complicated that many Members of Congress really do not understand it, and frankly, I doubt if any members of the general public understand exactly how a budget is being put together.

And so, I think if we are ever going to be serious about balancing the Federal budget, we must first look at the process by which a budget is put together. We have put together here a chart which we will make available to all members of this committee. This shows exactly how a budget is put together now by the Congress, and it points out several things: first of all, for every budget function, there may be four, five, or six different committees and/or sub-committees that have responsibility and/or accountability for that particular function. This makes it very difficult for Members of Congress to track spending. It makes it even more difficult for the general public. It is also one of the ways that certain projects get tucked into various programs. For example, a water project or an energy project can be tucked into the national defense bill.

That is the kind of thing that makes Congress look bad. But worse than that, it makes it far more difficult for us to balance the budget.

And so one of the things that we think is important as we go forward is that we look at completely reforming the way the budget process works. The other thing that this chart points out is that over half of the money that the Federal Government spends every year is spent on what we call mandatory or entitlement spending. This represents spending which essentially is on autopilot. Congress, I think, effectively lost control over mandatory and/or entitlement spending in about 1974. I think everyone understands when you have entitlement spending growing at three times the inflation rate, we can never get to a balanced budget until Congress figures out some way to get control of that level of spending.

Finally, one other point that has been brought home in the last several months, a particularly sore spot for the Congress and I think for the American people, was the government shutdown or what in reality was a temporary furlough of nonessential Federal employees. Many referred to it as a government shutdown, even though probably 95 percent of the services that the American people depend on from the Federal Government continued without interruption to them or to the people who depend on those services and those checks. The Social Security checks went out; the mail was delivered; Medicare was paid. Most of the things that many

Americans depend on from the Federal Government continued without interruption, but it was a problem.

So one of the things that many of the freshmen, including you, Mr. Chairman, Mr. Neumann, are working on is coming up with a new plan—if we could put the other chart up—which would bring back some level of accountability, responsibility, and simplicity to the way a budget is put together. We would replace the current committee system with essentially 18 different committees. We would bring mandatory and entitlement spending back under the control of the Congress itself.

Perhaps most importantly to those who represent districts which have seen some effects of the government shutdown, one of the other things that we are recommending is that in any of those categories, if the particular budget bill was not passed by Congress or was vetoed by the President at the beginning of the next fiscal year, that particular budget would simply be frozen for the next fiscal year.

I think that this is a system which would have enormous benefits to the Congress, to the American people, and ultimately to the goal of getting toward a balanced budget. It would provide accountability; it would provide more responsibility; it would provide simplicity; and it would also eliminate the possibility of future government shutdowns.

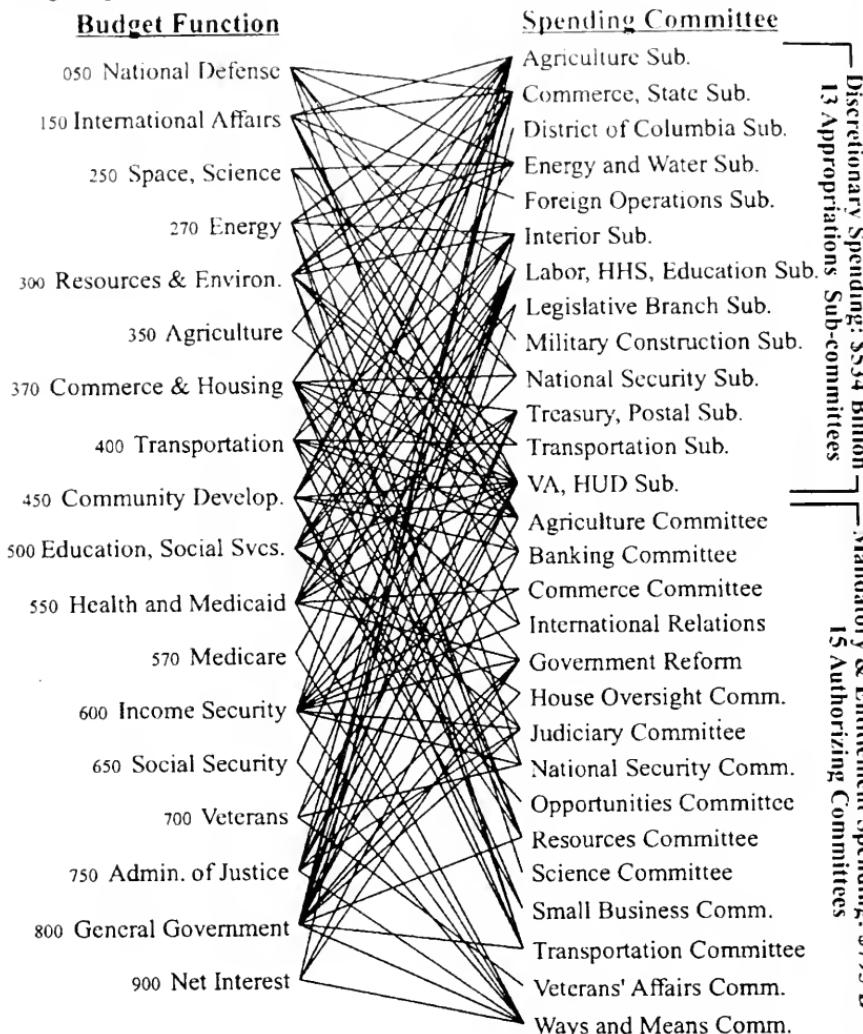
So in conclusion, Mr. Chairman, I will be happy to provide further information. I know that you have put some information together, and the freshmen Members of the 104th Congress are working hard to figure out a way in which we can bring a process to bear by this Congress—if not during this fiscal year certainly within the next several years. I think if we are ever going to achieve the goal of balancing a budget, we are going to have to make the whole budget process make more sense not only to Members of Congress but to the American people.

I know that the previous speaker took more than his allotted 5 minutes, and I will try not to. With that, I thank you for the opportunity to make this presentation. We will make more information available to the committee and to other Members of the House as we put it together. But again, I thank you for this opportunity, and I would take questions.

[The charts referred to follow:]

# Our Current Budget Process: A Terrible Mess

Tracing Budget Functions to Spending Committees Each line represents real spending authority



# Common Sense Budget Process:

| <u>Budget Function</u>      | <u>Spending Committee</u>       |
|-----------------------------|---------------------------------|
| 050 National Defense        | National Defense Committee      |
| 150 International Affairs   | International Affairs Committee |
| 250 Space, Science          | Space, Science Committee        |
| 270 Energy                  | Energy Committee                |
| 300 Resources & Environ.    | Resources and Environ. Comm.    |
| 350 Agriculture             | Agriculture Committee           |
| 370 Commerce & Housing      | Commerce & Housing Comm.        |
| 400 Transportation          | Transportation Committee        |
| 450 Community Develop.      | Community Develop. Comm.        |
| 500 Education, Social Svcs. | Education, Social Svcs. Comm.   |
| 550 Health and Medicaid     | Health and Medicaid Committee   |
| 570 Medicare                | Medicare Committee              |
| 600 Income Security         | Income Security Committee       |
| 650 Social Security         | Social Security Committee       |
| 700 Veterans                | Veterans Committee              |
| 750 Admin of Justice        | Justice Committee               |
| 800 General Government      | General Government Committee    |
| 900 Net Interest            |                                 |

Mr. NEUMANN. Thank you; and I think you know pretty well how I feel about what you are presenting here. I might add that it might be sheer coincidence that you are here at the exact same time when I occupy this chair for the first time. So maybe as we move down the road with the freshman class in this Congress, we will see some movement in that direction.

Mr. GUTKNECHT. Well, I would certainly hope so, Mr. Chairman. Thank you very much.

Mr. NEUMANN. This chair is much more comfortable than the ones down one row, I might add.

Mr. Sabo, did you have some questions?

Mr. SABO. No.

Mr. GUTKNECHT. Thank you, Mr. Chairman.

Mr. NEUMANN. Thank you.

Next up is Mr. Chrysler from Michigan.

**STATEMENT OF HON. DICK CHRYSLER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN**

Mr. CHRYSLER. Thank you, Mr. Chairman.

I will follow that one very well, because we are here to discuss the dismantling of the Commerce Department, which would eliminate one of those lines off of the back side of that second chart you saw and certainly eliminate several of those lines off of the first chart that you saw.

Dismantling the Department of Commerce is a subject that is near and dear to my heart, since I introduced H.R. 1756 last year, and I am grateful to the Speaker and the majority leader and Chairman Kasich for keeping this issue on the front burner, where it belongs. I would like to say that I am afraid Secretary Brown's recent indications that he believes the dismantling of the Department of Commerce is dead is quite premature. Secretary Brown may have forgotten that dismantling the Department of Commerce is an integral part of the 7-year budget resolution calling for the elimination of Commerce. I, for one, still take that resolution seriously and think that the Secretary should.

We accomplished a great deal last year in terms of calling attention to the waste and the bureaucratic inefficiency that characterizes the hodgepodge agency we call the Department of Commerce, and I am ready to build on the momentum that we have established to push this initiative forward in the coming months. Mr. Chairman, as we continue our discussion about dismantling the Commerce Department, I think we need to be very clear about what this initiative is and is not about. This initiative is not about taking something away from vulnerable people in this country. No widows or orphans will suffer from the absence of the Commerce Department in Washington. On the contrary, by streamlining this bureaucracy and eliminating the corporate welfare dispensed by the Commerce Department, we will be in a better position to support the programs and agencies that really do make a difference in the lives of needy Americans.

And let us not be swayed by the arguments that we hear from a few in the business community in this country who have taken junkets on Commerce Department aircraft that the current way of structuring the U.S. Government's trade and business function is the only way to do it, because, of course, it is not. We know that there are better and more efficient and less costly ways of making U.S. businesses represented in the area of development and implementing of trade policies.

The truth is that two out of every three business executives in this country support the dismantling of the Department of Commerce, according to a Business Week survey from last year. These executives understand that the Commerce Department is opposed to the very things that they need to make their businesses stronger, things like regulatory reform, tort reform, tax relief, capital gains tax reductions, and, most importantly, a balanced Federal budget. I want the U.S. business community to work with us to

find new and better ways of doing business in Washington. I hope they will challenge themselves as we have challenged ourselves in the House to look beyond the status quo.

With that introduction, I would like to outline five basic principles that should guide us as we move forward with legislation to dismantle the Department of Commerce: we must consolidate the international trade functions. I am absolutely convinced that we can conduct a much more effective trade policy by restructuring and downsizing the trade bureaucracy. Just 4 percent of the Department of Commerce budget is dedicated to international trade activities, sharing that mission with at least 19 different Federal agencies. Is it a good thing for the United States to have trade functions housed in an agency in which they are swallowed up, just another part of the clutter in the attic? Do our trading partners think we are serious about trade when functions directly relating to trade account for just 4 percent of the budget?

I worked closely last year with Congressman Mica and support his proposal to merge the trade functions into an Office of Trade that will make us more competitive. It is nonsense that we are unilaterally disarming our trade policy, as Secretary Brown says. We are not disarming; we are rethinking, retooling, and learning from the success of our trading partners.

We must get the Commerce Department out of the grantmaking business. Here is the easy part: the Commerce Department gives away over—in excess—of a billion dollars a year in corporate welfare through grants from the Economic Development Administration, Minority Business Development Agency, NOAA, advanced technology programs, and other programs. We can end that now and save over \$8 billion in a 7-year period.

No. 3 is we should abolish recently created agencies within Commerce whose bang has not proven to be worth the buck. In all of his hours of testimony last year, Secretary Brown failed to make a coherent case for why the taxpayers need to keep paying for the \$18-million National Telecommunications and Information Administration, the \$34-million Minority Business Development Agency, and the \$13-million U.S. Travel and Tourism Agency. Additionally, the Department's own inspector general calls the Department a loose collection of programs, while the General Accounting Office reports that Commerce shares its mission with at least 71 Federal departments, agencies, and offices. Of the more than 100 programs in the Department, we found that all but three are duplicated someplace else within the Federal Government and/or by the private sector. We can do better.

No. 4, we should abolish the superbureaucracies in the Commerce Department that add no value to the Department's work. As best as I have been able to determine, the Department's Technology Administration and its Economic and Statistical Analysis Division were created essentially to provide jobs for undersecretaries and political appointees. They all enjoy first-class travel and chauffeured car. This is simply wasteful, top-heavy bureaucracy, and it is a prime example of where we can streamline and consolidate in a way which reduces cost with no impact whatsoever on output.

And No. 5, we should liberate well-managed agencies from the unnecessary Commerce Department. There has been some confusion that we are talking about abolishing all elements of the Commerce Department, including the ones that are doing good, useful, and efficient work for the taxpayers. That is not the case. Clearly, we need a strong Census Bureau; we need a strong Patent and Trademark Office; we need a strong Weather Service. And these agencies, in particular, are in general performing well. But if you talk to the people within those agencies, I think they will tell you that being a part of the Department of Commerce and being a part of that bureaucracy, if anything, is holding them back from performing even better.

These are the agencies which cannot be politicized. Without the additional layers of unnecessary bureaucracy represented by the Commerce Department, Census, PTO, and the National Weather Service will be better able to serve their important missions.

Again, Mr. Chairman, I want to thank you for keeping the spotlight focused on the Commerce Department. By dismantling the Department and restructuring those of its functions which should be maintained, we have a unique opportunity to begin a process of truly remaking the way our government operates to make it more user-friendly. It is my firm belief that U.S. commercial interests are not being well-served by a Cabinet agency that is scattered in dozens of different directions, focused on handing out corporate welfare, and preoccupied with defending its turf in the trade policy process.

We have made a good start with the Commerce Department Dismantling Act, passed by the House twice last year. The groundwork has been laid; the path has been set. The way I see it, we are going to borrow over \$10 billion from our children and grandchildren to fund a big bureaucracy here in Washington, DC. We need to make government work for America, not for Washington, DC. This is the easiest cut we can make in this deficit. I hope that we will use last year's bill as a starting point for a renewed push to dismantle this agency and fulfill the promise we made in the context of the most recent budget resolutions.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Chrysler follows:]

PREPARED STATEMENT OF HON. DICK CHRYSLER, A REPRESENTATIVE IN CONGRESS  
FROM THE STATE OF MICHIGAN

Thank you, Mr. Chairman. It has been several months since we discussed dismantling the Commerce Department—a subject which has been close to my heart since I introduced H.R. 1756 last year. I'm grateful to the Speaker, the majority leader, and Chairman Kasich for keeping this issue on the front burner, where it belongs.

I'd like to say that I'm afraid that Secretary Brown's recent indications that he believes Commerce dismantling is a dead issue are quite premature. Secretary Brown may have forgotten that our 7-year budget resolution calls for the elimination of Commerce. I, for one, still take that resolution seriously, and I think the Secretary should, too.

We accomplished a great deal last year in terms of calling attention to the waste and bureaucratic inefficiency that characterizes the hodgepodge agency we call the Commerce Department. We have momentum. I am ready to build on that momentum to push this initiative forward in the coming months.

Mr. Chairman, as we continue our discussion about dismantling the Commerce Department, I think we need to be very clear about what this initiative is and is not about. This initiative is not about taking something away from vulnerable people in this country. No widows and orphans will suffer from the absence of a Com-

merce Department in Washington. On the contrary, by streamlining this bureaucracy and eliminating the corporate welfare dispensed by the Commerce Department, we will be in a better position to support the programs and agencies that really do make a difference in the lives of needy Americans.

And let's not be swayed by the arguments that we hear from a few in the business community in this country—that the current way of structuring the U.S. Government's trade and business functions is the only way. Of course it's not. We know there are better, more efficient, and less costly ways of making sure that U.S. business is represented in the development and implementation of trade policies.

The truth is that two out of every three business executives in this country support the dismantling of the Department of Commerce, according to a Business Week survey from last year. These executives understand that the Commerce Department is opposed to the things business needs if it is to be competitive: regulatory and tort reform, tax relief, and most importantly, a balanced Federal budget.

I want the U.S. business community to work with us to find new and better ways of doing business in Washington. I hope they will challenge themselves, as we have challenged ourselves in this House, to look beyond the status quo.

With that introduction, I'd like to outline five basic principles that should guide us as we move forward with legislation to dismantle the Commerce Department.

#### 1. WE MUST CONSOLIDATE INTERNATIONAL TRADE FUNCTIONS

I'm absolutely convinced that we can conduct a much more effective trade policy by restructuring and downsizing the trade bureaucracy. The current structure for trade policy—USTR as the leader, Commerce's International Trade Administration as the "poor cousin"—is an anomaly in the world of trade policy. It's wasteful, duplicative, and it reduces our effectiveness vis-a-vis our major trading partners, like Canada, Japan, France, and the UK, which have single, unified trade agencies.

In fact, just 4 percent of the Department of Commerce budget is dedicated to international trade activities. Is it a good thing for the United States to have trade functions housed in an agency in which they are swallowed up, just another part of the clutter of the attic? Do our trading partners think we are serious about trade when functions directly related to trade account for less than 5 percent of the budget for the Department we call "Commerce"?

I worked closely last year with Congressman Mica in support of his proposal to merge USTR and the International Trade Administration, eliminating the senseless division of authority that now exists. We should push ahead with that proposal. Secretary Brown and USTR Kantor have told us that a consolidation of trade functions would represent unilateral "disarmament" in trade policy. Nonsense. We're not "disarming"—we're rethinking, retooling, and learning from the successes of our trading partners.

Let's be clear on this: two heads on trade policy are not better than one. We've got to do better, and our proposal will move us in that direction.

#### 2. WE MUST GET THE COMMERCE DEPARTMENT OUT OF THE GRANTMAKING BUSINESS

Here's the easy part. The Commerce Department gives away well over a billion dollars a year in corporate welfare through grants from the Economic Development Administration, the Minority Business Development Agency, NOAA, the Advanced Technology Program and other programs. We can end that now and save over \$8 billion in a 7-year period.

The President has asked Congress to appropriate \$333.5 million for EDA grants in the next fiscal year. The MBDA request is for \$11 million in funding. NOAA would distribute over \$300 million in grants next year, under the President's budget request. He's asked for \$344 million for the Advanced Technology Program.

It's time for us to put a stop to this distribution of government largesse. We're all in complete agreement that our government can't keep spending as it has in the past, and that we have to make choices and set priorities. We have to understand that every dollar Commerce distributes in grants to private businesses is a dollar less for other valuable government programs.

#### 3. WE SHOULD ABOLISH RECENTLY CREATED AGENCIES WITHIN COMMERCE WHOSE "BANG" HAS PROVEN TO BE NOT WORTH THE "BUCK"

In all his hours of testimony last year, Secretary Brown failed to make a coherent case for why the taxpayers need to keep paying for the \$18-million National Telecommunications and Information Administration, the \$34-million Minority Business Development Agency, or the \$13-million U.S. Travel and Tourism Administration. I gather that, in the case of USTTA, at least, Secretary Brown has agreed that the agency should be terminated. That's good. But we could easily save five times that

amount by cutting out agencies within Commerce that have not been authorized by Congress.

Additionally, the Department's own inspector general calls the Department "a loose collection" of programs, while the General Accounting Office reports that Commerce shares its "missions with at least 71 Federal Departments, agencies, and offices." Of the more than 100 programs in the Department, we found that all but 3 are duplicated somewhere else in government or by the private sector. We have to do better.

#### 4. WE SHOULD ABOLISH THE "SUPER-BUREAUCRACIES" IN COMMERCE THAT ADD NO VALUE TO THE DEPARTMENT'S WORK

As best as I have been able to determine, the Department's Technology Administration and its Economic and Statistical Analysis division were created essentially to provide jobs for Under Secretaries, who enjoy first-class travel and chauffeured cars. This is simply wasteful, top-heavy bureaucracy—multimillion-dollar government think tanks—and it's a prime example of where we can streamline and consolidate in a way which reduces cost with no impact whatsoever on output.

#### 5. WE SHOULD LIBERATE WELL-MANAGED AGENCIES FROM UNNECESSARY COMMERCE DEPARTMENT INTERFERENCE AND BUREAUCRATIC CONTROL

There has been some confusion that we are talking about abolishing all elements of the Commerce Department, including the ones that are doing good, useful, efficient work for the taxpayers. That is not the case. Clearly, we need a strong Census Bureau, we need a strong Patent and Trademark Office. And these agencies, in particular, are in general performing well. But if you talk to the people within those agencies, I think they'll tell you that being part of the Commerce Department bureaucracy is, if anything, holding them back from performing even better. These are agencies which can function independently, and should be allowed to do so. Without the additional layer of unnecessary bureaucracy represented by the Commerce Department, Census and PTO will be better able to serve their important missions.

#### CONCLUSION

Again, Mr. Chairman, I want to thank you for keeping the spotlight focused on the Commerce Department. By dismantling the Department and restructuring those of its functions which should be maintained, we have a unique opportunity to begin a process of truly remaking the way our government operates.

It is my firm belief that U.S. commercial interests are not being served well by a Cabinet agency that is scattered in dozens of different directions, focused on handing out corporate welfare, and preoccupied with defending its turf in the trade policy process.

We've made a good start with the Commerce Department Dismantling Act passed by the House twice last year. The groundwork has been laid. The way I see it, we're going to borrow over \$10 billion from our children and grandchildren to fund a big bureaucracy here in Washington. This is the easiest cut we can make in the deficit. I hope that we will use last year's bill as a starting point for a renewed push to dismantle this agency and fulfill the promise we made in the context of the most recent budget resolution.

Thank you, Mr. Chairman.

Mr. NEUMANN. Thank you, Mr. Chrysler.

Mr. Chrysler, do you know if the Advanced Technology Program is part of the difference between the Senate and the House positions in the bills that we will be looking at next week?

Mr. CHRYSLER. I do not know that for sure. I know that Senator Spencer Abraham is putting forth essentially the same bill that we put forward. He has got enough votes to pass it; he does not have the 60 votes that he needs to stop a filibuster.

Mr. NEUMANN. Are there any parts of the ATP program that are not under the Commerce Department?

Mr. CHRYSLER. No.

Mr. NEUMANN. That answers that.

Does anybody else have questions they wish to ask?

Thank you, Mr. Chrysler.

Mr. SMITH OF MICHIGAN. Mr. Chairman.

Mr. NEUMANN. I am sorry; I did not see you over there. I apologize, sir.

Mr. SMITH OF MICHIGAN. Mr. Chairman, thank you.

To Dick Chrysler my thanks for your perseverance. I think that a lot of us owe you our appreciation for looking into some of the wasteful spending in Commerce. I am disappointed, as I am sure you are, that we could not abolish the wasteful parts of the Department of Commerce and realign the things that are good and important that we want to save. I am still hopeful that we can have the kind of votes on this year's appropriations bills that will move us further in that direction, but at least, Congressman Chrysler, I wanted to compliment you for the tremendous initiative that you have shown in this area, and express the support of a lot of us.

Thank you, Mr. Chairman.

Mr. NEUMANN. I just echo those comments. Dick, I have watched you put this whole thing together from the beginning. Do not get discouraged. This needs to happen, and we are not done yet. It is only beginning.

Mr. CHRYSLER. A hallmark of my life in business and certainly in politics is patience and persistence.

Thank you.

Mr. NEUMANN. Thank you, Mr. Chrysler.

I would ask unanimous consent that Members who wish to submit written testimony for the record may do so.

Mr. Barton is next.

Thank you.

#### **STATEMENT OF HON. JOE BARTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS**

Mr. BARTON. Thank you, Mr. Chairman.

I have submitted my statement for the record, and so I will just summarize it. I first want to thank you five members for being here. I have testified before the Budget Committee a number of times, and I think this is the biggest crowd I have ever had. So, I will try to keep you awake and be short.

I am here not to testify on a particular program for or against; there are many other Members who are more eloquent about that. I am here to testify about budget process reform. I do not think there is anything more important that we can do in this Congress than to change the system by which we debate and enact a budget. I have a bill that Congressman Stenholm is the chief Democratic sponsor of called the BEST bill, the Budget Enforcement Simplification Trust Act. I am going to go through it very quickly, but before I do that, I want to say that it is not really my bill or Congressman Stenholm's bill; it is a bill that has been worked on in the American public for about the last 10 years. Almost every former Director of the Office of Management and Budget is a member of the committee on both sides of the aisle. We have former Congressman Giaimo, who was chairman of this House Budget Committee who is on the committee and Senator Henry Bellmon from Oklahoma, who served as the ranking Republican on the Budget Committee in the Senate, so it is a bipartisan effort. A lot of work has gone into it.

And it starts from the premise that the current budget system is broken. Very few people understand it; very few Members understand it. It is a system that is built more to delay and create crises than it is a system that is built to foster cooperation between the President and the House and the Senate. So the BEST bill does a number of things. The first thing that it does is change the current Presidential budget submission from a concurrent resolution, which has no force of law and does not even have to be voted on, to a joint resolution that does have the force of law and would have to be voted on.

The bill says you have to have the budget vote on the President's budget resolution by April 15. If there is not an agreement on the bill between the House and the Senate on April 15, you have to have a second vote on May 15; and if you still do not have agreement, then your prior budget goes into effect. What that would do would be to eliminate the potential for a government shutdown, which we have seen become reality in this budget cycle.

We go to a 2-year budget, a biennial budget, instead of a 1-year budget. There are a number of reasons for that. First and foremost is that the House operates on a 2-year cycle. We are elected for 2 years. Most States have 2-year budgets; there is no reason that the U.S. budget could not be done on a biennial basis instead of an annual basis. You would have the immediate effect that once you pass the budget in the first year, the rest of that year and in the second year, all of the authorizing committees would be able to do oversight and implementation and not have to argue about priorities. So, we go to biennial budgeting.

You folks know better than anybody in a \$1.6 trillion budget, half of it is in entitlements, over \$800 billion. So the third thing that we do is put in entitlement caps, which currently, an entitlement program has no cap. Once it is authorized and enacted, there are no controls that you can put on an entitlement program. We do allow entitlement programs to grow for inflation and for population, but that is it. Any program that spends over \$20 billion, discretionary or entitlement, is subject to caps and has to stay within those limits.

To put some teeth into that, we put back in sequestration. Any program, again, that spends over \$20 billion is subject to sequestration. We do it a little bit differently than we did under Gramm-Rudman in that this sequestration procedure is within the program. So if you have a program that is within its budget, it would not automatically be cut because another program in another part of the budget that was over budget was over budget. And so you would actually sequester the program that is spending beyond its authorized level.

Next thing that we do—and again, this is not a revelation to this committee, but in past Congresses, we have time after time had dire supplemental appropriations bills come to the floor because of a flood in the Midwest or an earthquake in California or a hurricane in Florida, drought in Texas. And in addition to the very necessary funds to overcome that natural disaster, there is literally a Christmas tree that is created in which every potential boondoggle imaginable is put on the dire supplemental appropriation bill. So, we eliminate that, and instead, we create a reserve rainy day fund

where we budget each biennium a certain percent of the total budget to set aside for these emergencies. We put very strict requirements on what classifies as an emergency, but we begin to budget for disaster, which, unfortunately, happens frequently in this country through acts of God.

The last thing that we do is eliminate the baseline confusion that we have had time after time where spending goes up substantially but people complain about a cut, because it does not go up as much as the people wanted it to based on some baseline. So, we eliminate all of that. For discretionary programs, the baseline is what they spent last year. For entitlement programs, the baseline is what they spent plus inflation plus expected population growth, and that is it. So if a program is going up, it is a spending increase. If the program is going down, it is a spending cut. But you do not have the baseline problem which you folks have to deal with each year.

That is it in a nutshell. It is a very good piece of legislation. We had 45 Members of Congress send a letter to the Speaker several weeks ago saying that this bill or a bill similar to this should be put on the debt ceiling increase. Chairman Kasich has promised myself and the other leaders in this effort that he will hold hearings on the bill and try to move legislation. I have got that same promise from Congressman Solomon and the Republican leadership, and again, Congressman Stenholm and 10 or 11 of the Blue Dog group are cosponsors and have promised to help us make sure it is a bipartisan effort here in the House.

[The prepared statement of Mr. Barton follows:]

PREPARED STATEMENT OF HON. JOE BARTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

I want to thank Chairman Kasich and the other members of the Budget Committee for holding this hearing on budget process reform and allowing me to testify. I am here before you because I believe that budget process reform is the most important issue facing the 104th Congress. Passage of meaningful process reform would leave its mark on this Nation for generations to come. Last November, I introduced H.R. 2599, the Budget Enforcement Simplification Trust Act, or the "BEST" bill. This legislation had a great deal of input from the Committee for a Responsible Federal Budget, chaired by former Senator Henry Bellmon (R-OK) who served as ranking Republican on the Committee on the Budget, and former Congressman Robert Giaimo (D-CT) who served as chairman of the House Budget Committee, as well as a member of the House Appropriations Committee. The group has included other former Budget Committee chairmen, former Directors of the Office of Management and Budget, leading economists and businessmen. I share the goals of this group and truly believe that there is a need for discipline and order in making spending and revenue decisions at the Federal level.

On a related point, I have been working with Congressman Largent and Congressman Cox over the last several weeks to attach budget process reform to legislation increasing the debt ceiling. I personally believe there is no reason a consensus reform bill could not be considered right now. We were able to get 45 other signatures also voicing their support for this idea in a letter sent to Speaker Gingrich on February 29, 1996. This show of support demonstrates that the time is right to move on this issue.

BUDGET ENFORCEMENT SIMPLIFICATION TRUST ACT

The following is a summary of major components of the "BEST" bill:

1. *Biennial Budgeting*.—A biennial resolution would permit more focus on oversight and evaluation of program performance. In odd numbered years, the President should propose and Congress should act on the budget, spending, and tax legislation. In even numbered years, Congress should conduct meaningful oversight, monitor and evaluate programs, and authorize/reauthorize programs. This may require that Congress take more of a long-term view, focusing more on policy and less on

detail. It would require serious impediments to enactment of new/additional spending legislation in even-numbered years.

The biennial budget also may require Congress to give the President more flexibility to execute and implement policy—fewer set-asides and earmarks, and/or broader reprogramming authority.

2. *Budget With Force of Law*.—A joint, rather than the current concurrent, resolution would bring the President into congressional budget deliberations and make him accountable for its success or failure. And, because the President would have the authority to veto an unacceptable resolution, a joint resolution would require Congress to pay attention to Presidential concerns. Unlike the current budget process, this new framework would make both the executive and the legislative branches stakeholders in the resolution's outcome and require them to agree on overall spending and revenue levels, annual deficits, total debt levels, and on the allocation of resources among budget functions and committees.

If Congress and the President do not enact a joint resolution by May 15 in a given year, the amounts and allocations in the previous resolution become binding. This would provide a strong incentive for timely action on the resolution.

The debt ceiling could be revised through the joint resolution rather than requiring separate legislation.

Spending limits could be revised through the joint resolution instead of through separate budget process legislation. Such cap adjustments would require a separate vote and would not be hidden or obscured through an up or down vote on the entire budget resolution.

3. *Entitlement Caps*.—The bill would create caps on entitlement caps and other mandatory spending. Under current law, entitlement spending is, in effect, a blank check. Under this legislation, the Congress and the President would set budgets for large programs (over \$20 billion) and then must find ways to keep the entitlement within its budget. Entitlement programs and mandatory spending account for over two-thirds of total government spending.

4. *Sequestration*.—Once a budget is set, each spending increase must be offset by an equal spending cut. If this requirement is not met, sequestration will take place. Cuts would be made on a pro-rata basis for every program, project and activity in the area that has had an overage. Sequestration is triggered when prior year spending is higher than that year's cap or if Congress and the President enact legislation which exceeds a spending cap.

5. *Reserve "Rainy Day" Fund*.—The BEST bill creates a Reserve Fund which would replace the "emergency" supplemental appropriations bills which have become a catch-all for nonemergency spending schemes. Disbursements will be only for certified natural disasters with tough procedures to ensure spending on only its designed purposes. An "emergency" should not be defined as a requirement lacking budgeted funds. The BEST bill would establish an emergency/contingency reserve fund that would set aside a prudent amount for emergencies. These funds would be included in overall spending limits. Increases in emergency requirements beyond the amounts available in the reserve fund would be offset by decreases in nonemergency amounts. If offsets are not feasible, then Congress could vote for, and the President could sign into law, higher spending limits. This increase in spending would be explicit, and not hidden through an "emergency" designation.

The use of emergency funds would be restricted to specified purposes. This may require us to differentiate between "emergencies" (i.e., unanticipated and immediate threats to public safety or health, life, or property) and recovery/rebuilding requirements that could be addressed more appropriately through insurance or through better budgeting.

6. *End Baseline Confusion*.—The baseline will reflect current laws and policies. For discretionary programs, it would reflect the discretionary caps. For entitlements it would reflect current laws. For example, the baseline would go up for programs like Social Security, which are indexed for inflation.

#### CONCLUSIONS

The Federal budget process is decentralized with a vengeance. Too many executive branch agencies, too many congressional committees and subcommittees, go through too many steps each year, until it seems that no decision on spending and tax policy ever is final. The process is replete with duplication, overlap and redundancy. Complexity compounded by confusion undermines accountability. We speak of so-called "uncontrollable spending" as if those Federal outlays resulted from natural laws rather than statutes enacted right here on Capitol Hill.

The thrust of the BEST bill is two-fold: make government and the budget process more accountable; and use public accountability to encourage Congress and the President to live up to the promises made in the budget process every year.

- We need to be concerned about government accountability. The polling booth is the market clearing house of democracy. When government becomes so complex that concerned voters, willing to spend a reasonable amount of time, cannot understand the Federal budget, the system breaks down.

- Public accountability is the most effective instrument we know to assure government accountability. Congress and the administration often fail to live within the budgets we currently adopt. Passage of the BEST bill would make it very difficult not to live up to what we promise.

I am convinced that real, binding spending limits hold the key to serious budgetary restraint. We can balance the budget any number of ways, but we never will balance the budget unless we agree that there is an amount of money more than which we will not spend, and stay within that limit we have set on spending. To keep spending within binding limits, we should adopt automatic reductions similar to sequestration under the Budget Enforcement Act. This means extending the concept of caps to the entitlements and other mandatory spending in the budget. I believe we should hold individual committees and subcommittees responsible for excess spending in their jurisdictions. And we should force a separate vote any time we want to raise the spending limits in the budget.

This system will work because our constituents will understand it. And that is where public accountability comes into play. Nothing here would keep Congress and the President from "busting the budget." But if we do bust the budget, under this system, the media will know and our constituents will understand, whom to hold accountable. That is the best, most healthy kind of enforcement mechanism in our system of government.

Mr. NEUMANN. Thank you, Mr. Barton.

I will say, being a freshman here and after a year of trying to figure out where the money is going to and where it is coming from, it would be very enjoyable to work with you on some budget reform.

Mr. BARTON. Thank you.

Mr. NEUMANN. Are there questions?

Mr. STENHOLM. Just a brief statement. I commend you, Joe, for your leadership in this area. I look forward to the hearings and getting a bill signed, sealed and delivered.

Mr. BARTON. Thank you.

Mr. Orton is also a cosponsor. I should point that out.

Mr. ORTON. Thank you; I also wanted to just point out to Mr. Barton that being a cosponsor, I do support the items that you have identified. I also have separately sponsored an Omnibus Budget Reform Act, which I think also includes a couple of other items that we may at least try to incorporate some enforcement mechanisms as well as the process reform as well as some capital budgeting issues.

Mr. BARTON. Sure.

Mr. ORTON. And I certainly am excited about the prospect of working together on a bipartisan basis to enact real process reform. After all, budgeting is supposed to be as honest an effort as we can to lay out clearly the levels of spending that would be incurred in any given area.

Mr. BARTON. Right.

Mr. ORTON. If it is all based on forward projections, and there is no lookback or enforcement mechanism, then our budgeting only becomes as good as our projections, which, in the past, have fallen short on many occasions. So I guess my only comment about improving the bill would be—

Mr. BARTON. We do not consider it a finished piece of work, and we understand that there are going to be amendments. You certainly have some good ideas. Congressmen Chris Cox and Steve Largent are heads of a Speaker's task force on budget reform that I am also on, and there are some other ideas that they are looking at, and Congressman Kasich has told me he is looking at some ideas.

Mr. NEUMANN. Mr. Barton, I would just add to that that Mr. Gutknecht was in here from Minnesota earlier today, and he has also had some discussions with me on some of this. You might just want to take a look at the work that he has and consider incorporating some of that.

Mr. BARTON. I saw some of that, Mr. Chairman.

Mr. SMITH OF MICHIGAN. Mr. Chairman, I thank you.

I also have introduced budget reform legislation. The process now obscures original efforts by this Budget Committee to move ahead and accomplish the goals that are laid out in the budget resolution. I think there is an inherent problem when those who seek membership on certain authorizing committees and certainly on the subcommittees of the Appropriations Committee often advocate more spending in that particular area. It has been their interest and their support of higher spending in certain areas that have led them into seeking those appointments on those particular authorizing committees and subcommittees of the Appropriations Committee. In the long run, this has perpetuated increased spending in nearly all of the government. Process reform is going to help resolve that problem so that the will of the total Congress prevails as we seek ways to eventually balance this budget.

Mr. BARTON. I think it is only fair to point out that Mr. Gutknecht's provision would eliminate the Budget Committee, and I do not think that would have a lot of support here on this particular committee.

Mr. NEUMANN. I think the intent of this—

Mr. BARTON. I do not.

Mr. NEUMANN. Well, just on that, I think the intent of Mr. Gutknecht's proposal is to untangle the web of budget finance. Have you talked to Mr. Ehlers from Michigan on what he is doing with computerization?

Mr. BARTON. I at one time was cochairman of that effort. I am no longer cochairman, but I have talked to Vernon about it.

Mr. NEUMANN. It might make some sense to incorporate some of that into it too.

Thank you, Mr. Barton.

Mr. BARTON. Thank you. Thank all of you.

Mr. NEUMANN. Mr. Sanders is next.

#### **STATEMENT OF HON. BERNARD SANDERS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VERMONT**

Mr. SANDERS. Thank you very much, Mr. Chairman, for the opportunity to say a few words to the committee.

Mr. NEUMANN. Thank you for being here.

Mr. SANDERS. Let me begin by dealing with two realities that I think we do not discuss too much in Congress. I think the American people are dealing with it, but Congress does not. First, since

1983, 80 percent of all American families have seen their incomes decline or at best remain stagnant. Factoring in inflation, the real wages of American workers have actually declined by 16 percent since 1973. In other words, the middle class of the United States is shrinking; the vast majority of our people are working longer hours for lower wages. They are hurting. In many ways, you could describe what is happening to the middle class today as a silent depression. That is point No. 1.

Point No. 2, there has been a great deal of discussion about job growth. President Bush talked about it; President Clinton talks about it. But the sad fact of the matter is that the new jobs that are being created are overwhelmingly low-wage and part-time or temporary jobs. Between 1979 and 1987, there were over 4.4 million jobs created. Unfortunately, 3.6 million of them were at poverty-level wages, and that trend continues today. That is the other reality: new jobs, low-wage jobs. People are getting poorer.

The third reality: Is everybody in America hurting, or is it just the young workers and just the middle class? No, it is not. The reality is that the wealthiest people in America are becoming much richer. Corporate CEOs now earn 200 times what their workers make. The stock market continues to soar, and corporate profits are very high. Almost all of the new income growth—when we talk about income growth, let us understand that almost all of the new income growth is going to the very wealthiest people in this country.

Given that reality, what do we do in the budget situation? As chairman of the Progressive Caucus, I think I speak for many members of the 52-member Progressive Caucus in saying that we need to take a new look at how we go about dealing with our budget. It seems to me that we have to understand how we came into the crisis that we are in today: the large deficit we have now; the \$5 trillion debt that we now have. There are three major reasons that most economists agree to: No. 1, during the eighties when the debt exploded, a major increase in military spending; No. 2, enormous tax breaks to the wealthiest people and the largest corporations; and No. 3, as the cost of health care skyrocketed during the 1980's, Medicare spending went up to a very substantial degree.

I think if we want to figure out how to get out of the deficit crisis, it is best to understand how we got into the deficit and debt situation that we are in today. Therefore, it would seem to me not to make a whole lot of sense for those of us who want to move toward a balanced budget to be talking about spending over a 7-year period \$60 billion more on the military, especially since the end of the cold war, and it seems to us also not to make a whole lot of sense to be giving huge tax breaks to the wealthy and the large corporations.

The Progressive Caucus has proposed a 7-year balanced budget plan. We believe that the budget should be balanced; we think we could do it in 7 years, and we think that we do not have to do it on the backs of the middle class, low-income people, the elderly or working people. In fact, our budget would increase funding for jobs creation, student loans, Head Start, environmental protection, crime prevention, and affordable housing. The bottom line is that if we take a hard look at defense spending, if we say no more tax

breaks to the wealthy and the large corporations, and most importantly, we have heard a whole lot of discussion about welfare; what about corporate welfare? As you may know, Mr. Chairman, very conservative groups like the Cato Institute, moderate groups like the Democratic Leadership Council and their Progressive Policy Institute and progressive groups have all agreed—including Ralph Nader's network and the Progressive Caucus—that there is about \$125 billion a year in corporate welfare.

If we move in those three directions: make the tax system fairer; do not expand military spending; and take a hard look at corporate welfare, we, in fact, could move toward a balanced budget in 7 years without decimating Medicare, Medicaid, environmental protection, education, or the needs of the vast majority of our people. Thank you very much, Mr. Chairman, for the opportunity to say a few words.

[The prepared statement of Mr. Sanders follows:]

PREPARED STATEMENT OF HON. BERNARD SANDERS, A REPRESENTATIVE IN CONGRESS  
FROM THE STATE OF VERMONT

Let me begin today by going over two basic realities that are rarely discussed in the Congress.

First, since 1983, 80 percent of all American families have seen their incomes decline or, at best, remain stagnant. Factoring for inflation, the real wages of workers have actually declined by 16 percent since 1973. In other words, the middle class of this country is hurting and hurting very badly.

There is a great deal of talk about job growth, but the sad fact of the matter is that the new jobs that are being created are overwhelmingly low-wage and part-time or temporary jobs. Between 1979 and 1987, there were over 4,400,000 jobs created. Unfortunately, 3,600,000 of them were at poverty-level wages and that trend continues today.

Meanwhile, the richest people in America are getting richer. Corporate CEOs now earn 200 times what their workers make, the stock market continues to soar, and corporate profits are very high. Almost all of the new income growth is going to the very wealthy. In other words, the very rich are getting richer—and almost everyone else is getting poorer.

Therefore, it seems to me and the other members of the Progressive Caucus that it is extraordinarily unfair to be balancing the budget on the backs of the people in our society who are already hurting the most.

Second, when we discuss the budget deficit and the national debt, it seems appropriate to me that we try and understand how we got into this situation in the first place. The national debt skyrocketed during the 1980's—rising from \$1 trillion to \$4 trillion for three basic reasons:

- A major increase in military spending;
- The enactment of major tax breaks for the wealthy and large corporations;

Incidentally, if the wealthiest 1 percent of Americans were paying taxes today at the same rates they paid in 1977, the government would be bringing in over \$80 billion dollars a year more—approximately half of the current deficit.

- The onset of huge increases in Medicare spending which was part of the increase in health care spending in general. Private insurance costs went up, and Medicare spending went up also.

One might think that the best way to get out of the deficit crisis is to figure out how we got there in the first place. But clearly, that's not what the majority Members of this 104th Congress have done. On the contrary, the Republican "so-called glide path" to a balanced budget by 2002 calls for continuing down the failed path of the 1980's—more tax breaks for the rich and large corporations, at least a \$60-billion increase in military spending (including billions more for weapons systems that the Pentagon doesn't even want), billions more for the CIA and the other intelligence agencies without regard for the cold war having ended, and continued funding of at least \$100 billion a year to defend Europe and Asia against a nonexistent enemy.

The 52 members of the Progressive Caucus believe we can move toward a balanced budget. But we also believe that this worthy objective can be reached in a

much fairer way that does not shred our longstanding social compact and impose even greater hardship on our Nation's already vulnerable children, sick, and elderly.

That is why we unveiled a framework last week for our alternative 7-year budget plan. You and the other members of the committee should feel free to borrow from our plan in the difficult task that lies before you in framing the budget resolution for fiscal year 1997 and beyond.

Our Progressive Caucus budget plan would do the following:

- Achieve a balanced budget in 7 years;
- Provide middle-class tax relief for America's working families, but only after a balanced budget is achieved;
- Protect Medicare and Medicaid recipients;
- Reduce military spending; and
- Cut corporate welfare.

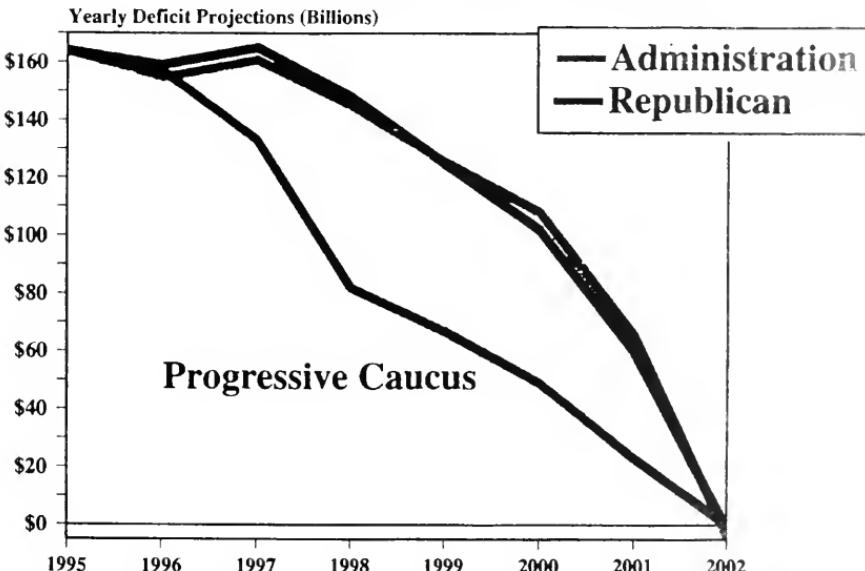
It also would increase funding for jobs programs, student loans, Head Start, environmental protection, crime prevention, and affordable housing.

Finally, I want to call your attention to the accompanying chart. Unlike the pending Republican and White House budget plans which actually increase the deficit during the next 2 years, our Progressive Caucus budget plan calls for steady cuts in the deficit every year from now until the budget is balanced in 2002. Furthermore, it also would add less to our national debt than the Republican plan because it does not increase deficit spending in order to pay for tax cuts.

In conclusion, Mr. Chairman, the members of the Progressive Caucus are joining the budget battle in earnest. Most Americans don't want tens of billions of dollars to be foisted on the Pentagon that our generals have not requested. They also know it is grossly unfair to slash Medicare, Medicaid, veterans benefits, student loans, and other programs for our people in need, while doing nothing about corporate welfare which adds as much as \$125 billion to the deficit every year.

## Progressive Caucus Budget Plan Does Not Increase the Deficit

**Both Republican and Administration plans  
increase the deficit before reducing it.**



# PROGRESSIVE BALANCED BUDGET PLAN

- Balanced Budget In Seven Years
- Middle Class Tax Cuts After Deficit Reduction
- Protects Medicare and Medicaid Recipients
- Reduces Military Spending
- Cuts Corporate Welfare

## PROGRESSIVE ALTERNATIVE BALANCED FEDERAL BUDGET FRAMEWORK

- Substantial savings derive from cuts in corporate welfare and orderly reductions in military spending, as well as non-defense discretionary reductions.
- Middle class tax cuts will be phased in after the budget is balanced
- Corporate welfare reductions to increase revenues will be phased in over seven years.
- Assumes savings in Medicare and Medicaid through comprehensive health care reform. However, all savings from the reform process will remain within these programs. Savings will not result in increases to out of pocket expenditure for recipients, nor drastic reductions in services.
- Does not assume a statutory change to the Consumer Price Index.
- Assumes innovative revenue sources such as a broadcast spectrum auction and recoupment from sales to foreign governments of federal R&D costs.
- Maintaining education, training and employment spending as a priority:
  - Increases funds for jobs programs
  - Increases student loans
  - Increases funds for the summer youth employment program
  - Increases Head Start funds
- Other budget priorities include:
  - Adequate environmental protection
  - Effective crime prevention
  - Affordable housing

PROGRESSIVE ALTERNATIVE BALANCED FEDERAL BUDGET  
 -- SAVINGS ESTIMATES --

SEVEN YEAR SAVINGS  
 (vs. CBO Baseline)

|                               |               |
|-------------------------------|---------------|
| DISCRETIONARY                 | \$326 billion |
| Defense                       | 248           |
| Non-defense                   | 78            |
| ENTITLEMENT/REVENUES          | \$435 billion |
| Medicare Reform               | 0 *           |
| Medicaid Reform               | 0 *           |
| Welfare Reform                | 0             |
| Corporate welfare/tax reforms | 414           |
| Innovative revenues           | 21            |
| CPI adjustment                | 0             |
| DEBT SERVICE                  | \$101         |
| TOTAL DEFICIT REDUCTION       | \$863         |

\* Medicare and Medicaid reform savings are kept within those respective programs.

PROGRESSIVE ALTERNATIVE BALANCED FEDERAL BUDGET  
 -- DEFICIT REDUCTION ESTIMATES --

|  | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|--|------|------|------|------|------|------|------|
| Deficit Reductions of Progressive Budget       | -15  | -49  | -101 | -128 | -155 | -188 | -228 |
| CBO Projected Deficit (December 1995 Baseline) | 172  | 181  | 183  | 195  | 203  | 210  | 228  |
| Resulting Deficit of Progressive Budget        | —    | —    | —    | —    | —    | —    | —    |
|  | 157  | 133  | 82   | 67   | 49   | 23   | 0    |

Mr. NEUMANN. Thank you very much for being here.

On the corporate welfare issue, could I just ask you to lay out, perhaps, the top five corporate welfare targets that you might be interested in?

Mr. SANDERS. Sure; that is a very fair question: transfer pricing, adopt a formula approach as many States have to compute how income earned by multinational corporations should be allocated between nations. We estimate that that would bring in over a 7-year period about \$143 billion. No. 2, corporate foreign tax credit, eliminate this credit for multinational corporations. That would bring in

about \$82 billion. Foreign sales corporations: end the ability of exporting firms to exclude 15 percent of export income generated through special subsidiaries which often are created merely to process the subsidy. We would take a hard look at the home mortgage interest deduction. If we lowered that from the \$1 million down to \$300,000, which would include about 97 percent of the American people, and we do not continue to give welfare to people who own mansions, we would save about \$34 billion over a 7-year period. You talk about housing programs? This is a housing program for people who own million-dollar homes. We would take a hard look at accelerating the cost recovery system; reform the accelerated depreciation standards, which allow corporations to write off capital equipment purchases faster than equipment wears out. That is about \$160 billion. Excessive corporate deductions—on and on it goes, and we are happy to give a whole list of those. Those are some of the areas we would look at.

Mr. NEUMANN. I would be very interested in the rest of that list.

Mr. SANDERS. We will have the list for you.

Mr. NEUMANN. Any kind of write-up you have on each one of those would be interesting.

Mr. SANDERS. We have got it; in fact, I will leave it with you.

Mr. NEUMANN. Thank you.

Mr. SANDERS. OK; thank you, Mr. Chairman.

Mr. NEUMANN. Are there other questions?

Mr. SABO. Thank you.

Mr. NEUMANN. Thank you very much for the testimony.

Mr. SANDERS. Thank you very much.

Mr. NEUMANN. Do you want to recess until after the vote? What is your preference?

Mr. TANNER. We will be brief.

Mr. NEUMANN. Go ahead; in that case, welcome, Mr. Tanner, Mr. Peterson, and Mr. Payne.

**STATEMENTS OF HON. JOHN S. TANNER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TENNESSEE; HON. COLLIN C. PETERSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA; HON. L.F. PAYNE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA**

**STATEMENT OF HON. JOHN S. TANNER**

Mr. TANNER. Mr. Chairman, I have said this before. We will not cut our presentation short, but we will slow the growth of it so we can go vote. [Laughter.]

Mr. NEUMANN. That is a very commendable attitude.

Mr. TANNER. You are all familiar with the coalition budget that we submitted last year for 1996. We commend it to you in its entirety, particularly as it reflects a doable transition from a deficit situation to ground zero in 7 years under that old scenario. We hope to have an updated 1997 version in the not-too-distant future.

One thing—and I will be brief on this—is that we believe that any plan to balance the budget must include a doable glide path with deficit reduction in an orderly manner. Neither the Republican leadership plan nor the White House plan started a deficit reduction program in the early years, and we think that two things

could occur under such a scenario: one, you get into a position where, in the outyears, it does not happen for some reason, because it is not politically doable; or, secondly, if you took that much money out of circulation that quickly, you could have a profoundly negative, adverse effect on the economy.

So with that, I will turn it to Mr. Peterson.

### STATEMENT OF HON. COLLIN C. PETERSON

Mr. PETERSON OF MINNESOTA. Thank you, John.

Mr. Chairman, members, my message is, first of all, I want to commend all of you sitting at the table for your hard work on the budget up to this point, and Chairman Kasich, ranking member Sabo, Charlie Stenholm, all of you have worked very hard along with people at this table, and I think everybody ought to be commended for their hard work. And I guess the message that I bring is that a lot of us get discouraged, but we ought not to forget that we have made a lot of important policy progress in the discussions that have taken place in all different avenues. I also want to commend Chairman Thomas, Chairman Bliley, and Chairman Shaw for working with us, and I really think that we have moved Medicare, Medicaid, and welfare issues along. There are a lot of things that we have fleshed out and a lot of good policy that we have put together that we ought not to scrap. We ought to just move that into this process and move forward from here and try to get to a balanced budget just as soon as we can. So with that, I will turn it over to Mr. Payne.

### STATEMENT OF HON. L.F. PAYNE

Mr. PAYNE. Thank you very much, and thank you, Mr. Chairman, for allowing us to be here.

In the interest of time, because there are others behind us who want to testify before the vote, I would just like to enter a statement into the record if that is possible. Secondly, we have a chart that we think is very important that we would like to enter into the record as well. It shows the glide path that we think is so important, as Mr. Tanner has already pointed out, if we are to reach balance by the year 2002.

[The prepared statement of Mr. Payne follows:]

#### PREPARED STATEMENT OF HON. L.F. PAYNE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Mr. Chairman, I appreciate this opportunity to testify about the fiscal year 1997 budget proposal and our broader, and more important goal of achieving a balanced budget by the year 2002.

As we begin this new budget cycle, I am struck again by how the solutions to our most complex and seemingly irreconcilable differences are often so obvious that we miss them altogether.

This is exactly the situation we face right now with the budget.

Despite the shared commitment of the President and the leaders of Congress to balance the budget by the year 2002, we have failed to reach agreement on a budget plan. In fact, almost half way through the fiscal year, we have failed to enact 5 of our 13 regular appropriations bills. We have endured two costly and completely unnecessary government shutdowns. And we have limped along for 5 months now with one short-term continuing resolution after another—leaving thousands of students, government contractors, veterans, and other Americans uncertain what the future holds.

Throughout this long and tortuous process, one 7-year balanced budget has remained on the table. It is scored by CBO. It is balanced by 2002. And it meets the plain demand of the American people for a budget that is both fair and sensible.

This budget, which was developed by the Conservative Democratic Coalition, continues to occupy the sensible middle ground on which any compromise must be made. Our budget, which has won endorsements from the Concord Coalition as well as some of this Nation's leading newspapers, takes our Nation straight to a balanced budget, with no costly detours along the way.

Our budget rejects tax cuts. It reflects the common sense of the American people who have told us not to reduce revenues at a time of \$160 billion annual deficits.

Our budget contains real entitlement reform. The plan we have developed assures the solvency of Medicare and saves \$168 billion over 7 years. Our Medicare reforms avoid deep cuts to rural hospitals and other providers, and they have been endorsed by the American Hospital Association and other leading health care organizations.

Similarly, our budget saves \$85 billion from Medicaid, and \$41 billion from the Nation's welfare programs. But because it does not contain costly tax cuts, it moderates many of the domestic spending reductions which have stood as a barrier to compromise.

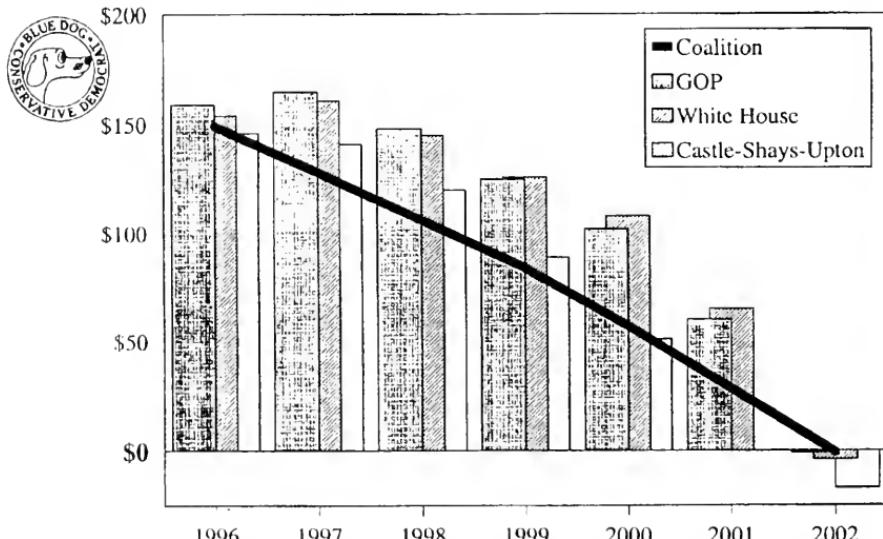
Mr. Chairman, as the attached chart makes clear, the Coalition budget provides the smoothest glide path to a balanced budget of all the plans now on the table. In fact, by adopting the Coalition budget, we'll add significantly less to the national debt than we would under competing approaches.

I urge the committee to adopt our Coalition Budget. It is the one plan now on the table that can command the necessary support of the American people and their Representatives in Washington.

[The Blue Dog Coalition chart referred to follows:]

## **GOP Budget costs \$200+ Billion more than The Coalition Budget**

Annual Deficits in Billions of Dollars by Year



Note: Figures are rounded and reflect the latest versions of plans offered by the White House (2/9/96), the GOP (1/9/96, SBC), the moderate Republican plan offered (1/31/96) by the Castle-Shays Upton group, and 'The Coalition' 'Blue Dog' balanced budget (Dec. CBO scoring). Castle-Shays-Upton balances in 2001.

Mr. NEUMANN. Thank you; earlier today, we had a unanimous consent that any Member who wished to enter their statement into the record may do so. So, thank you very much for being here.

If you would like to go very quickly also, go ahead.

**STATEMENT OF HON. SHERWOOD L. BOEHLERT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK**

Mr. BOEHLERT. Thank you, Mr. Chairman, and I will put my statement in the record. I just want to urge the Budget Committee not to target environmental programs in recommending discretionary spending cuts.

Thank you very much.

[The prepared statement of Mr. Boehlert follows:]

**PREPARED STATEMENT OF HON. SHERWOOD L. BOEHLERT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK**

Mr. Chairman, I want to thank you for this chance to testify this morning. I will be brief because I have just a single point to make. I want to urge the Budget Committee not to target environmental programs in recommending discretionary spending cuts.

Now in making that statement, I am not arguing that the Environmental Protection Agency (EPA) or other environmental agencies be held harmless as we balance the budget. They can withstand some cuts and become more efficient just like any other agency. But the budget must not become a pretext for decimating programs that protect the public.

I should add that it is not in the interest of business to have a hobbled EPA. All that does is slow down the permitting and review process, giving an unfair advantage to the unscrupulous.

As we have learned more about the environment, we have, of necessity, put additional responsibilities on the EPA. That is not likely to change. On the Speaker's Task Force on the Environment, we will be searching for ways to reform the system of environmental regulation. Some of those reforms may indeed relieve the EPA of some tasks, but they will create others—monitoring increasingly disparate State activities, for example, or learning more about risk assessment. So while reform is necessary, reform will not necessarily translate into significant budget savings.

That's really all I have to say. I have no specific number to offer you today. I just do not want this committee to send the wrong signal to the American people about environmental policy. We must not cut the environmental budget disproportionately. Thank you.

Mr. NEUMANN. Again, thank you for being here. That might be the fastest we have moved through this in a long time.

At this point, then, we will recess until after the vote.

[Recess.]

Mr. MILLER. We will go ahead and begin. Ms. Furse, if you would like to proceed, other Members will be joining us shortly.

**STATEMENT OF HON. ELIZABETH FURSE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON**

Ms. FURSE. Thank you, Mr. Chairman. I really appreciate this opportunity to speak to this committee.

I would like to present my ideas about what will make a difference in a mission which I think we all share, that of balancing the budget. We all know that the entitlement reform is the big factor in balancing the budget. At the same time, I am one of a number of Members engaged in an effort to address the largest portion of our discretionary funding, the Pentagon. Since we vote on the discretionary budget each year, it is also important that we analyze

and scrutinize its priorities in order to assure that they are in line with today's needs.

It is my belief that the conference agreement on the 1996 budget resolution contains skewed priorities. It says that over the 1996 to 2002 period, we will spend 55 percent of our discretionary budget on the 050 account, national defense. That leaves 45 percent for all other functions. In 1995, this Congress increased defense spending by \$7 billion while decreasing virtually all other discretionary accounts. The spending plan we voted on last year calls for increasing defense spending \$14 billion above the President's request level of \$254 billion.

I find it preposterous that we increase defense spending when we are asking seniors and students to pay more. These actions are taken despite the fact that the University of Maryland conducted a nationwide poll last November, and it showed that 77 percent of the American people opposed Congress' additional \$7 billion. I do not think our constituents will support a \$14-billion increase that is scheduled for this year.

I am one of the Members of this body who support eliminating baseline budgeting. I was one of the few Democrats in Congress in the 103d who supported amendments offered by Chairman Kasich and Mr. Stenholm to do away with the chicanery created by baseline budgeting. It particularly irks me when those who denounce baseline budgeting in education programs can only speak of "acceptable increase to account for inflation" when talking about defense programs. Do you know how much a hard freeze in Pentagon spending would save over 7 years? It would save over \$60 billion, and that would go a long way to increasing our chance of balancing the budget.

Now, people can argue how much funding the Pentagon needs to perform its role. U.S. defense spending is roughly equal to that of the next six nations combined. We spend twice as much on our military as all of our potential enemies combined, including Russia and China. We need to assess our current strategy of fighting two wars nearly simultaneously without the help of allies, and I would recommend that people read the editorial today in the Washington Post.

At this time, when we are trying so hard to balance the Federal budget, we can avoid increasing military spending without endangering U.S. national security. Frankly, Mr. Chairman, I believe firmly in spending every penny we need for a sound national defense, but I do not agree that we should spend one penny more than we need. National security should be measured in ways beyond how much discretionary spending is consumed by the Pentagon. Crime rates have skyrocketed in this country, yet our police protection has remained constant. Americans enjoy less than one-tenth the effective police power of 30 years ago. We have a responsibility to protect our citizens from threats at home as well as threats abroad.

Recent cuts in education and environmental enforcement show that our priorities are mixed up. It looks like we care more about protecting defense contractors than about protecting the health and safety of our kids. Our priorities should be in our seniors and those in our society who are vulnerable. I agree with the statement made

by Chairman Kasich on CNN a year ago when he said: "I want to suggest something that will ruffle a few feathers: that is that the Pentagon should be reviewed with the same microscope as everything else in this Federal Government should be reviewed."

I have introduced H.R. 1673, which would cancel seven weapons systems planned before the end of the cold war but are still in development. CBO has scored my bill as saving \$90 billion. I put this out merely as something to consider. As times change, we must allow our policies and spending patterns to change.

I thank you, Mr. Chairman, for your time and the committee for inviting me to testify. I ask unanimous consent to submit for the record several current newspaper and magazine articles that justify lowering defense spending levels. I look forward to working with this committee to bring about more sensible budget priorities as we develop your fiscal year 1997 resolution. I hope that you will call upon me to provide any assistance that would be helpful for you.

Thank you for your time, Mr. Chairman, and the time of the committee.

[The prepared statement of Ms. Furse follows:]

PREPARED STATEMENT OF HON. ELIZABETH FURSE, A REPRESENTATIVE IN CONGRESS  
FROM THE STATE OF OREGON

Mr. Chairman, members of the committee, I appreciate the opportunity to appear before your committee and present my ideas about what will make a difference in the mission we share of balancing the budget.

We all know that entitlement reform is a big factor in balancing the budget. At the same time, I am one of a number of Members engaged in the effort to address the largest portion of our discretionary spending: the Pentagon. Since we vote on the discretionary budget each year, it is also important that we analyze and scrutinize its priorities to ensure that they are in line with today's needs.

It is my belief that the conference agreement on the fiscal year 1996 budget resolution passed by the House June 29 of last year contains skewed priorities. It says that over the 1996-2002 period, we will spend 55 percent of our discretionary budget on the 050 account—national defense. That leaves 45 percent for all other functions.

In 1995, this Congress increased defense spending by \$7 billion, while virtually decreasing all other discretionary accounts. The spending plan we voted on last year calls for increasing defense spending \$14 billion above the President's request level of \$254 billion. I find it preposterous that we must increase Pentagon spending when we are asking seniors and students to pay more.

These actions were taken despite the fact that the University of Maryland conducted a nationwide poll last November that showed 77 percent of the American public opposed to Congress' addition of \$7 billion to the Pentagon's defense budget request. I don't believe our constituents will support the \$14 billion increase that is scheduled for this year.

I was one of the Members of this body who supported eliminating baseline budgeting from the beginning. I was one of the few Democrats in Congress in the 103d Congress who supported amendments offered by Chairman Kasich and Mr. Stenholm to do away with the chicanery created by baseline budgeting. It particularly irks me when those who denounce baseline budgeting in education programs can only speak of "acceptable increase to account for inflation" when talking about defense programs. Do you know how much a hard freeze in Pentagon spending would save over 7 years? Over \$60 billion. That would go a long way toward balancing the budget.

People can argue about how much funding the Pentagon needs to perform its important role. U.S. defense spending is roughly equal to that of the next six nations combined. We spend twice as much on our military as all of our potential enemies combined, including Russia and China. We need to reassess our current strategy of fighting two wars nearly simultaneously without help from our allies. At this time when all of us are trying so hard to balance the Federal budget, we can avoid increasing military spending without endangering U.S. national security.

Frankly, I firmly believe in spending every penny we need for a sound national defense, but not a penny more. National security should be measured in ways beyond how much discretionary spending is consumed by the Pentagon. As crime rates have skyrocketed in this country, spending on police protection has remained constant. As a result, America enjoys less than one-tenth the effective police power of 30 years ago. We have a responsibility to protect our citizens from threats at home as well as from threats from abroad.

Recent proposals to cut education and environmental enforcement programs show that our priorities are mixed up. It looks like we care more about protecting defense contractors than protecting our kids. Our priorities should be in our seniors and those in our society who are the most vulnerable.

I agree with the statement made by Chairman Kasich on CNN a year ago when he said, "I want to suggest something that will ruffle a few feathers. And that is that the Pentagon should be reviewed with the same microscope as everything else in this Federal Government should be reviewed." I have introduced H.R. 1673 which would cancel seven weapons systems planned before the end of the cold war that are still in development. The CBO has scored my bill as saving \$90 billion—with a "B." I put this out merely as something to consider. As times change, we must allow our policies and spending patterns to change as well.

I thank the committee for their time, and ask unanimous consent to submit for the record several current newspaper and magazine articles that justify lower defense spending levels. I look forward to working with this committee to bring about more sensible spending priorities as you develop your fiscal year 1997 budget resolution. I hope that you will call upon me to provide any assistance that would be helpful to you.

[The various news articles referred to follow:]

[From the Washington Post, Mar. 22, 1996]

#### DEFENSE SPENDING, DEFENSE GOALS

The national defense might be adequately served by the quarter of a trillion dollars President Clinton proposes to spend on it next year. But that sum, sizable as it sounds, is not sufficient to fund the Armed Forces and the global strategy the President says the country needs. As a result, as with so much else in the national budget, essential spending is pushed into the future and hard decisions are fudged or postponed. Both Congress and the administration bear responsibility for this mismatch of goals and means, and both need to acknowledge and address it.

Those who expected a larger peace dividend with the end of the cold war, and those who think we have already cashed too generous a dividend check, both can find statistics to bolster their cases. Defense spending has declined steadily and is now about 35 percent lower, adjusted for inflation, than it was in 1985, during the Reagan buildup. And yet—the United States is now spending more on defense than all of its NATO allies, Japan, Israel and South Korea combined. The U.S. defense budget is more than triple Russia's. And it is higher, in real terms, than it was in 1980.

What matters more than these numbers is whether the country is buying the capability it needs. U.S. policy calls for a force big enough to fight two major regional wars, such as the gulf war and the Korean war, "nearly simultaneously." But to maintain such a large force in a high state of readiness, the Pentagon has had to skimp, in its budget plans, on new weapon systems. The result, eventually, would be a military that spends more and more money maintaining older and older weapons while gradually losing its technological edge.

Three possible ways lead out of this quandary. One is to keep the current strategy while spending a lot more money, which is neither likely nor desirable. Another is to find more efficient ways to fund the strategy by reducing duplication among services, closing more bases and cutting back the National Guard. These and other reforms should be pursued by all means, but they are unlikely to yield enough savings to close the gap between goals and means.

The third possibility is to consider a new strategy, as high-level groups inside and outside the government are now doing. Many of these reviews have something of an unreal quality to them. They tend to call for armed forces that are smaller, smarter, faster, higher-tech and, in think-tank land, always cheaper as well. And just as the experts finish telling us that future wars will be won with satellites, robots and laser beams, we find ourselves happy to have old-fashioned aircraft carriers showing the flag off Taiwan and actual human GI's slogging through traditional mud in Bosnia.

Still, as Senator John McCain said in one such review this week, a reevaluation is necessary. Senator McCain, a conservative Republican from Arizona, called on Congress and the administration to reconsider the two-war strategy, to consider funding modernization by reducing the readiness of some rear-guard units and to reexamine our force structure, including the number of troops still overseas.

Abandoning the current strategy would not be risk-free. But sticking to a strategy that the country chooses not to fund may, in the long run, be riskier.

[From the Christian Science Monitor, Feb. 2, 1996]

### THE PENTAGON'S REPRIEVE

If the public's desires are taken into account, the Pentagon's budget is AWOL from the current fiscal deliberations in Washington. Polls indicate a majority of Americans feel military spending could take a further trim. Waste and bloated budget requests are suspected, and there's some recognition that the post-cold-war era, with its growing list of multilateral peacekeeping operations, requires a thorough review of spending patterns.

The politicians in Congress and the White House wouldn't necessarily disagree with those public perceptions. But they've agreed to exempt the Pentagon from budget chopping because of other perceptions: the value of a pro-defense stance to establish conservative bona fides, and the link between Pentagon contracts and jobs.

Those considerations, however, are not likely to keep defense spending off the table much beyond the current political year. The reasons are many:

First, an ever-changing world demands a "bottom up" review of the country's defense needs. This has been talked about for years, but has never been implemented to the point of clearing out old cold war assumptions. The administration's doctrine of a force capable of fighting two major regional conflicts needs review from both a strategic and fiscal perspective. Current readiness has to be balanced with the investment required for modernization and future readiness.

Second, in the minds of many experts military technology is undergoing a revolution comparable to the onset, in past years, of steel warships and air power. Computers and precision munitions lead the revolution. Old standbys like aircraft carriers may give way to smaller, less targetable, less expensive vessels that rely more on missiles and unmanned surveillance craft.

Third, the demands of budget balancing—now a firm plank in both parties' platforms—will inexorably move defense back into play. Some GOP deficit hawks, such as House Budget Committee Chairman John Kasich, can hardly wait to attack Pentagon waste. And his party, with its long pro-Pentagon record, may be in the best position politically to wield the ax.

Despite its exemption in the current budget go-round, defense has not been spared in the deficit skirmishing of recent years. Pentagon spending has fallen 35 percent, in real dollars, since 1985. The question is how sharply that decline should be continued. To arrive at an answer that serves the country, political factors such as jobs tied to possibly unneeded weapons systems must retreat before clear-eyed strategic assessments and the public's commonsense conclusion that a 16-percent chunk of Washington's discretionary spending shouldn't be put off limits.

[From the New York Times, Sept. 14, 1995]

### ECONOMIC SCENE

By Peter Passell

#### *Without a two-war script, arms spending could really be cut*

The fight over military spending is heating up as the House and Senate duel over funds for key weapons, and President Clinton threatens to veto any appropriations bill that includes money for arms the Pentagon says it does not want.

Well, that is the standard story, anyway. And it is indeed true that the futures of three gee-whiz weapons systems—the B-2 Stealth bomber, the *Seawolf* attack submarine and a pared-down Star Wars missile defense—are under attack by deficit fighters. "Everyone is rummaging around in the basement now, looking for programs to trash," said William Hartung, a senior research fellow at the New School's World Policy Institute.

"But connoisseurs of the politics of denial need not despair," Mr. Hartung added. The few billion dollars that are on the line are petty cash compared with the quarter-trillion budgeted annually to be able to fight two wars simultaneously—a relic of cold war planning that no elected official is questioning.

It is easy to work up a righteous lather over the current weapons debate, which has all the Alice-in-Wonderland qualities of the earlier theological dispute over whether 10,000 nuclear warheads were sufficient to deter Soviet aggression. With

20 B-2 bombers already on order for \$2.2 billion each—each nearly the price of a nuclear aircraft carrier—and serious questions being raised about the plane's stealthiness, support for building more is limited to a coalition of weapons contractors and Members of Congress who have overdosed on Tom Clancy novels.

Much the same can be said for the third *Seawolf* submarine, priced at \$1.5 billion, which is being rationalized as a means of keeping Connecticut and Virginia boat builders on the technological edge and Bill Clinton in the White House. "Even liberals now see defense spending as the form of pork least likely to be challenged," suggested Mr. Hartung, whose critical commentary on military budgeting appears in the fall issue of the *World Policy Journal*.

In fact, the whole arms debate is taking place at the margin of reality. What really drives spending, argues Lawrence Korb of the Brookings Institution, is the underlying doctrine that dictates a very large and mobile military capable of fighting two wars the size of the Persian Gulf war at the same time.

This policy was born in the last years of the Bush administration, when the Soviet empire was collapsing, and the chances that Russia would commit the Red Army to a conventional war with any of America's allies was receding rapidly. Gen. Colin M. Powell, then Chairman of the Joint Chiefs of Staff, imagined worst-case developments that conveniently justified outlays and personnel equal to late cold war levels.

To be sure, the \$250 billion budget for the two-war plan is far less in inflation-adjusted terms than defense spending in the Reagan years. But \$250 billion, Mr. Korb notes, is still more than the combined spending for the world's next 10 largest military establishments. Is it really needed?

Not according to Gen. Merrill McPeak, the recently retired Air Force Chief of Staff, who pointed out that America has fought major conventional wars just three times in the last 45 years—and never two at a time. Indeed, the closer one looks at the two-war plan, the less realistic it seems. It is difficult to imagine two Iraq-like rogue states risking wars that America felt compelled to enter. On the other hand, it is difficult to imagine that America's next foes would cooperate with the Pentagon by leaving themselves wide open to American power.

What's driving this nondebate over arms strategy, Mr. Korb argues, is the peculiar politics of the moment. "During the Reagan years, Democratic Congresses tried to chop away at spending," he said. But with the White House occupied by a Democrat who is eager to protect himself from charges of being soft on security, and congressional moderates from both parties unprepared to take further whacks at jobs in the military industry, "the spending bar has been set so high that there is nothing really left to argue about," Mr. Korb said.

The precondition for changing policy, Mr. Korb suggests, is a Republican in the White House who is less vulnerable to ideological attack. If Richard M. Nixon could go to China, he reasons, perhaps Bob Dole could trim the military budget to \$200 billion. Mr. Hartung said \$160 billion was a realistic target for one big war plus limited police actions.

Another possibility is that military cuts will become the path of least resistance for a Congress caught between a pledge to balance the budget and 40 million older people who think Medicare is the greatest invention since Metamucil. But Mr. Hartung is not betting on it. "Defense contractors have moved quickly to make friends with the new Republican majority," he said.

[From the *New York Times Magazine*, Feb. 26, 1995]

### THE READINESS GAP. WHAT GAP?

By Lawrence J. Korb

*Today's military scare stories are baseless. Who says? President Reagan's 'readiness czar.'*

To listen to Republicans and the military brass, you would think America's Armed Forces have fallen into the same 1970's morass that spawned the term "hollow military" and gave Ronald Reagan a potent issue for the 1980 campaign. Is it possible that just 4 years after one of the most stunning military triumphs in modern times the services could be suffering from inadequate training, shortages of spare parts and poisonous morale? Just to pose the question in those terms points strongly to the commonsense answer—of course not. This is not the 1970's and the Clinton administration is not repeating the mistakes of the Carter administration.

Today, the United States spends more than six times as much on defense as its closest rival, and almost as much on national security as the rest of the world com-

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Lawrence J. Korb, a senior fellow at the Brookings Institution, was Assistant Secretary of Defense for Manpower, Reserve Affairs and Logistics in the Reagan administration.

bined. In 1995, Bill Clinton will actually spend \$30 billion more on defense, in constant dollars, than Richard Nixon did 20 years ago and substantially more than his own Secretary of Defense argued was necessary in 1992.

Since the collapse of the Berlin Wall, the Pentagon's forces have declined by 25 percent and financing for new weapons has fallen by 50 percent while readiness spending has dropped by only 10 percent. In the last year, readiness accounts increased by \$5 billion while the overall military budget dropped by 3 percent. The Pentagon now spends more on readiness (about \$60,000 per person) than it did in the Reagan and Bush administrations (when readiness hit all-time highs) and 50 percent more than during the Carter years.

And the quality of entering recruits is still very high (96 percent are high-school graduates, compared with 68 percent in 1980) and retention rates are so good that the Pentagon is still dismissing people.

If readiness spending is higher than in the Reagan and Bush years, and if the manpower situation is still so solid, why do so many politicians and generals warn darkly about a readiness gap? That—not the theological question of whether our forces are combat ready—is the crucial question. The answer is more nuanced than most people would imagine, and sheds a great deal of light on Pentagon politicking in the post-cold war era.

I first encountered the politics of military readiness 30 years ago when I was a Naval flight officer in the Far East. One Sunday afternoon, in response to a call from the Seventh Fleet, I reported that only 3 of our 12 planes were ready for combat. For my honesty, I received a severe tongue-lashing from my commanding officer, who informed me that whenever headquarters called we were always ready. The military, he explained correctly, prized a "can-do outfit," and the services promoted those who performed regardless of circumstances.

My next encounter was in 1980, when I was preparing a monograph on the subject for the American Enterprise Institute. When word of my project reached the Pentagon I was drowned in data (some of which was highly classified) and anecdotes from normally tight-lipped bureaucrats. When I went to the Pentagon to conduct some interviews, I was treated like a foreign dignitary.

One of my conclusions was that readiness is a slippery and poorly understood concept. To most people it is a synonym for military capability or preparedness. To the military, however, readiness is only one of four components of preparedness, and not necessarily the most important one. To obtain a true picture, one had to look at the other three pillars—force structure (the number of ships, planes, tanks), modernization (the age of the forces) and sustainability (staying power). Thus, a very ready force could be considered militarily impotent if it was too small, too old and lacked staying power. By the same token, a force that was bigger, more sophisticated and better armed than its adversaries could be deemed unready if it was considered improperly trained and outfitted.

I also concluded that readiness is a hot-button political issue, subject to unlimited manipulation. Even the informed public can't judge such matters as the appropriate force structure, the proper time to replace a plane or tank and the level of effort necessary to win a war. But everybody wants and expects a ready force.

Military leaders were quick to grasp the political potential of readiness scares. In the late 70's, word went out that reports of readiness problems would be welcomed by headquarters. The only exception was the Marine Corps. I was told by a general that the Marines had been C-2 (ready) for 200 years.

I also came to understand that measuring readiness is hardly an exact science. Each service defined readiness differently, and I found similar units with similar problems reporting different levels of readiness. The Air Force claimed that a fighter pilot needed to fly 20 hours a month to stay battle fit. The Navy and Marine Corps said their pilots needed a minimum of 24 hours a month; Air National Guard units needed only 10 hours per month. No one could ever explain why readiness demanded that Army tanker trucks drive 800 miles a year, why ships needed to steam 55 days per quarter or why helicopter pilots needed only 14 hours a month flying time.

Finally, I discovered that a unit's readiness was determined by the lowest grade it received in any of the four categories (personnel, equipment and supplies on hand, equipment readiness and training). Thus, a fully manned unit with modern equipment in perfect working order would be classified as not ready if it trained for only a brief period of time.

Nonetheless, my report for the American Enterprise Institute concluded that the Armed Forces were indeed experiencing severe readiness problems, for three reasons. Given the threat posed by our principal adversary, the Soviet Union, military expenditures in the 1970's were too low. Moreover, the civilian and military leaders of the Department of Defense decided to spend the few extra dollars they received

on stealth war planes, cruise missiles and other new technologies at the expense of flying hours and spare parts. Finally, the Carter administration allowed military pay and benefits to fall 25 percent behind comparable rates in the private sector. Consequently, the quality of recruits fell below acceptable standards and retention rates dropped precipitously.

My conclusions were attacked by the Secretary of Defense but embraced by the military and candidate Reagan. My reward, following the Reagan triumph, was to be appointed "readiness czar" in the Pentagon.

Once in office, I was introduced to another side of the politics of readiness. The military chiefs, having skillfully used the issue to help secure a large spending increase, were much less interested in fixing readiness than in modernizing and enlarging their forces. The same Army chief who had coined the term "hollow military" told the Secretary of Defense that the best way to improve a soldier's readiness was to buy him a new rifle.

Spending for readiness did increase by about 20 percent, or nearly \$10,000 per person (in total, less than one-fifth the increase in procurement). Nonetheless, according to the Joint Chiefs, by 1984 the readiness of all major units, except Navy ships, had gone down and I was being pilloried by the Democrats.

How did this happen? Without telling their civilian "superiors," the service chiefs had raised the standards for readiness right along with the Reagan buildup. After these standards were made more realistic, readiness began to grow significantly during the last half of the 1980's, reaching all-time highs. The performance of the American forces in the gulf in 1990 and 1991 showed just how capable and ready they were.

With the ascension of Bill Clinton to the Presidency, readiness once again emerged as the hot-button issue. Senator John McCain, the Arizona Republican, issued a report called "Going Hollow," in which he drew heavily on the views of the Joint Chiefs of Staff. Last December, a weakened President Clinton pledged an additional \$25 billion for readiness. Nevertheless, it is obvious that the current readiness gap, like others since the 1970's, was designed and manufactured by the Pentagon to serve its political agenda—to maintain the cold war status quo.

Despite several reviews of force structure in recent years, the services remain configured to contain a nonexistent Soviet empire. The Navy still keeps three active carrier battle groups, with thousands of battle-ready Marines, while the Army and Air Force have nearly 200,000 troops stationed in Europe and Asia. Thus, when a crisis erupts in a Haiti or a Rwanda, these forces must take on these assignments as "extra tasks," for which they often lack training and equipment. The question here is not readiness but why we continue to train and deploy forces for cold war tasks.

Additionally, the services have inflated the threat against which readiness is measured. According to President Clinton, the Armed Forces should be prepared to fight two major regional wars simultaneously: one against Iraq and one against North Korea. According to the Pentagon and many Republicans, the services have neither the money nor the forces to accomplish this. Since defense spending is at about 85 percent of its average cold war level, this leads to the absurd conclusion that Iraq and North Korea (which together spend less than \$20 billion a year on the military) equal 85 percent of the might of the Soviet empire.

Finally, the joint chiefs are simply manipulating the system. Two of the three Army divisions that they identified as unready were in the process of being demobilized. Other units were not able to do routine training because they were involved in a real war, that is, the October deployment to the Persian Gulf to deal with Saddam's thrust toward Kuwait. The Marines, who have finally caught on, now say that their readiness is lower than in 1980.

The United States has the finest and best financed military in the world. It is also the most ready, prepared to go thousands of miles on short notice. But it is inadequately controlled by its civilian superiors. Because of Bill Clinton's perceived political vulnerability on defense issues, the civilian leaders do not wish to risk a confrontation with the Republicans or the military chiefs. As a result, the "nonpolitical" admirals and generals running the military are taking all of us to the cleaners, using the readiness gap to snatch up precious dollars to defend against a threat that no longer exists.

[From the Baltimore Sun, Feb. 13, 1996]

## DEFENSE ISSUES IN AN ELECTION YEAR

### *GOP hot buttons: Will cold war alarms still resonate on the campaign trail?*

President Clinton's acceptance of a \$265-billion defense authorization bill passed by the Republican-controlled Congress leaves several hot policy issues very much on the agenda for the 1996 national election. Here is a rundown:

Excised from the measure at White House insistence was a provision that would have mandated *deployment* by 2003 of a national missile defense system. Instead, the Pentagon is committed only to the *development* of such a system. Hardline GOP lawmakers see political dividends in stressing that the United States remains vulnerable to strategic nuclear attack. But how potent are old cold war alarms? Key Republicans on the Senate Armed Services Committee helped author the development-only concept.

Also dropped from the legislation after a Clinton veto was sustained was a requirement that the President would have to submit reports to Congress before any decision to place U.S. forces under United Nations command. Question: How would a Republican President feel about having his authority as Commander-in-Chief curtailed this way?

Much the same concerns would arise with a third provision eliminated at White House demand—one that would have required the President to send a supplemental funding request to Congress to cover any unplanned overseas deployment costing more than \$100 million.

Mr. Clinton did accept two controversial GOP provisions he has no intention of enforcing. One would require the discharge of service personnel found to be carrying the virus that causes AIDS. This is probably unconstitutional. The other would require continued expansion of the B-2 bomber fleet despite better judgment of top brass.

While Mr. Clinton seized the high ground on most of these issues, he flunked badly in pushing through funds for a third *Seawolf* submarine the Navy does not need, the result of a 1992 campaign pledge to Connecticut voters. It is further proof that raw politics in a campaign year rarely contributes to the national defense.

[From the Christian Science Monitor, Dec. 21, 1995]

## LESS MILITARY SPENDING FOR GREATER WORLD SECURITY

By Oscar Arias, Jordana Friedman, and Caleb Rossiter

### *Opinion/Essays*

The world's governments spend \$868 billion each year to support military forces of more than 27 million soldiers.

This phenomenal expense of 12 percent of national governments' spending is itself a threat to security. Industrialized countries account for 75 percent of this total, with the United States alone spending \$270 billion on its defense budget.

Sadly, industrialized countries also are responsible for 90 percent of arms transfers to developing nations, and thus contribute to the incitement and prolongation of many of the world's 44 regional and internal conflicts.

The \$221 billion that developing nations spend on armed forces exacts a heavy toll on the social sector. New weapons procurements and larger armies usually mean fewer funds to invest in health, education, and economic development, even in resource-rich countries like Saudi Arabia and Nigeria.

Today, more than 900 million people in developing nations are unable to read or write, yet military spending exceeds spending on education. And while military expenditures remain at a level more than twice that of spending on health, 2 million children die every year of diseases that could have been prevented. In addition to addressing these problems, cuts in military spending would reduce the political and economic power of armed forces in developing nations, reinforcing the trend toward legitimate, democratically elected governments with control over their armed forces.

World military spending has decreased in real terms by 31 percent since reaching a high of \$1.26 trillion in 1987, the height of the cold war. Yet 80 percent of this decline came from the sharp drop in spending by former Warsaw Pact nations. Despite the end of the cold war, developed nations other than those of the former Warsaw Pact spend only 10 percent less than they did in 1987.

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Oscar Arias, former president of Costa Rica and founder of the Arias Foundation for Peace and Human Progress, won the 1987 Nobel Peace Prize. Jordana Friedman directs the international security program of the Council on Economic Priorities. Caleb Rossiter is the director of Demilitarization for Democracy, a Washington arms control group.

In developing countries, military-spending levels did not even decline at that modest rate. Currently, military spending is decreasing on average by only 2 percent annually in developing countries and 4 percent in industrialized countries. These numbers are not enough to produce a meaningful peace dividend.

In order to address these problems, we have proposed the "Year 2000 Campaign to Redirect World Military Spending to Human Development." On December 14, we presented our plan to UN Assistant Secretary-General Rosario Green, and the following day we discussed it at a Capitol Hill symposium sponsored by Sen. Mark Hatfield (R) of Oregon. Already endorsed by our three organizations and dozens of others, our strategy calls on the UN to sponsor talks in every region of the world—talks that will result in dramatic, mutual reductions in the size, sophistication, and expenditures of military forces by the year 2000.

We recognize that this goal will be unachievable without a conceptual revolution in how the world views security and the role of armed forces. All of us must recognize that security is enhanced by building down military forces in concert with our neighbors and potential adversaries, rather than by building up forces in never-ending arms races. Furthermore, we must acknowledge that a failure to change our attitude toward military spending will deny us the opportunity to adequately address human-development issues.

The Year 2000 Campaign plan proposes that:

- The Security Council and General Assembly of the United Nations call on all nations to commit to meeting with their neighbors. These nations will agree to identify and implement confidence-building measures and mutual reductions in military threats, thereby increasing the likelihood of substantial reductions in military forces and expenditures by 2000.
- Special envoys be appointed by the UN secretary-general to organize these demilitarization talks in various regions of the world. These meetings will build confidence among nations and reduce the likelihood of future conflicts.
- Every nation meet with an envoy to present plans for regional security at reduced force levels. These nations will also participate in negotiations guided by the envoy, in order to identify military capacities and implement mutual force reductions. Such negotiations will reduce the threat that nations pose to one another because of the size, proximity, and technological sophistication of their armed forces.
- With savings from reduced military spending, all nations implement economic reforms related to demilitarization, such as the conversion of military to nonmilitary production, land-mine clearance, community reconstruction, and the reintegration of demobilized soldiers.
- Industrialized nations condition their aid to promote demilitarization. They will exchange debt forgiveness for military conversion efforts, and provide special funding for programs to assist the demobilization process, promote transparency in military affairs, and bring about the end of military involvement in the civil economy.
- All arms-exporting nations agree to a code of conduct on arms transfers that would bar arms exports to nondemocratic governments, countries engaged in armed aggression in violation of international law, countries that do not fully participate in the UN Register of Conventional Arms, and governments permitting gross violation of internationally recognized human rights.

We urge citizens and organizations in all countries to pressure their governments to endorse the ideals of this proposal and to give it unlimited support at the UN and in international financial institutions. When enough voices in enough places are raised in unison for the ideals of the Year 2000 campaign, all humanity will benefit from living in a safer, more secure world.

[From the *Wall Street Journal*, Jan. 17, 1996]

#### BOTH PARTIES KEEP PENTAGON FROM BUDGET SAW, BUT SOME ON CAPITOL HILL ARE GROWING RESTLESS

By Jackie Calmes

WASHINGTON.—Over weeks of fruitless budget talks, both the White House and congressional Republicans have insisted, "Everything is on the table." But one big budget chunk, defense spending, isn't, and on that much the two sides agree.

Long before they set out to balance the budget in 7 years, and long before United States troops were dispatched to Bosnia, President Clinton and GOP leaders had separately concluded that defense spending, shaved for a decade from its peacetime highs in the Reagan administration through the end of the cold war, shouldn't be cut further. The defense budget, more than \$260 billion for this fiscal year, would even increase a bit in most years, before accounting for inflation.

That rough consensus puts about 16 percent of Federal spending off the table, even as the bargainers today are scheduled to resume budget talks seeking nearly \$700 billion in savings elsewhere.

Perhaps no area of the government's budget better illustrates the swinging pendulum of politics and public favor than does military spending. Through the postwar decades, the Pentagon has gone from chopping block to pedestal, depending in part on whether Democrats or Republicans held the balance of power. What's remarkable now, however, is that both parties say they are committed to the unprecedented effort of balancing the budget by 2002, yet the Pentagon isn't enlisted by either one for further sacrifices.

#### UNHAPPINESS ON BOTH SIDES

The Pentagon's budget pass vexes many liberal Democrats, of course. But, given the GOP balanced-budget drive, some deficit-hawk Republicans and conservative think tanks associated with GOP leaders also are unhappy. Leading this GOP faction is no less a figure than House Budget Committee Chairman John Kasich, who says he has a commitment from House Speaker Newt Gingrich of Georgia to pursue future defense cuts. "I have been promised by Newt that we will revisit the Pentagon budget," the Ohio Republican says. "I believe there are enormous savings in that building."

Mr. Kasich, who is also a senior member of the House National Security Committee, goes so far as to suggest that overhauling defense could be "the single biggest issue" this year. His potential allies include some of the most assertive GOP House freshmen. "Kasich is right," says one, Representative Mark Neumann of Wisconsin. "There's a lot of room for savings in defense." At the conservative National Taxpayers Union, President David Keating says, "No doubt it could be cut more, in our minds." But big cuts aren't likely in a presidential year when both major parties want to show they are strong on national defense.

At the same time, the increases built into the 7-year spending paths for defense don't keep up with projected inflation over time. That suggests it will be impossible to maintain current force levels, with funding for military operations, training and maintenance pinched and some new, long-term weaponry purchases rendered unaffordable.

Defense isn't the largest piece of the Federal pie left off the budget table. That is Social Security, the politically sacrosanct retirement program that accounts for about a fifth of Federal spending. Together, protecting the two programs puts more than a third of Federal spending off limits, increasing the pressure to shrink all other programs, from agriculture to transportation.

With Republicans in control of Congress for the first time in 40 years, the pro-defense stance isn't surprising. House Speaker Gingrich, a former Army brat, enshrined the promise of a beefed-up defense in the House Republicans' 1994 campaign manifesto, the Contract With America. The Republicans argue, as do some Democrats, that defense has been pared enough in the past 10 years.

"I am concerned that in an era when your military is being called on more frequently instead of less, that we will degrade our capability" if spending were cut, says Representative Herbert Bateman of Virginia, a senior member of the House's defense panel. "If I have a concern, it's that we may not be doing enough for our national defense."

#### DEFENSE DOLLARS

[A comparison of the GOP Congress' proposed outlays for defense through fiscal 2002 with those of President Clinton, in billions]

|      | Congress | Clinton | Difference |
|------|----------|---------|------------|
| 1996 | 264.0    | 261.5   | +2.5       |
| 1997 | 265.7    | 257.1   | +8.6       |
| 1998 | 264.5    | 254.8   | +9.7       |
| 1999 | 267.9    | 260.1   | +7.8       |
| 2000 | 271.6    | 268.3   | +3.3       |
| 2001 | 270.8    | 275.7   | -4.9       |
| 2002 | 270.8    | 281.1   | -10.3      |

Source: Senate Budget Committee.

Among Democrats, the hands-off stance toward defense spending is more complicated. For his part, Mr. Clinton is eager to keep peace with the military given the lingering controversy over his avoidance of the Vietnam war draft. And both he and congressional Democrats, who a decade ago put the brakes to the Reagan de-

fense budgets, have come to equate the widely salted military-manufacturing funds with local jobs, from the vast aerospace plants of vote-rich California to the boatworks of Maine. On House votes for the big-ticket B-2 stealth bomber, for example, some of the most liberal California Democrats fall in line to protect the home State project from budget-cutters.

#### ROLE OF MEDICARE CITED

Democratic Representative Pete Stark of California, who complains that "defense hasn't been cut a nickel," suggests another reason for his fellow liberals' relative quiet about Pentagon spending: Congressional Democrats have focused instead on opposing the Republicans' proposed reductions in Medicare's growth. "Quite frankly, our Medicare message was resonating so loudly in the polls," Mr. Stark says, that Democrats didn't want to muddy it with an antidefense message, which, he adds, wouldn't play as well anyway.

Despite the relative truce between the President and Congress on defense, significant differences do divide them on the details. Mr. Clinton had vowed to veto the fiscal 1996 defense appropriations bill for exceeding his request by more than \$8 billion. But last month, constrained by the United States deployment to the Bosnia peacekeeping mission, he let it become law without his signature.

The measure provides billions of dollars this year for weapons that the administration and Pentagon didn't request: expanded production of the B-2 stealth bomber, beyond the current fleet of 20; an accelerated antimissile defense system, which is a GOP priority in the Contract With America; and additional fighter jets and transport ships, to be built in the States of top GOP lawmakers.

#### LONG-TERM DIFFERENCES

Mr. Clinton and Congress also differ over the long-term construct of their defense budgets. The President calls for small reductions initially, followed by 4 years of increases. The Republicans' version does the opposite, front-loading increases through the decade to add more than \$30 billion to Mr. Clinton's proposals and then proposing some cuts at the turn of the century.

"How realistic is that?" asks John Isaacs, president of the Council for a Livable World, which lobbies for smaller defense budgets. Critics say Republicans' long-term defense cuts amount to blue-smoke budgeting, penciled in to make their overall 7-year plan show balance by 2002. They say it's unlikely that a GOP Congress or President would actually support defense cuts when that time comes, especially given the costly commitments now to multiyear manufacturing projects. Privately, many Republicans agree.

As for the public's attitude, even the pro-defense Representative Bateman volunteers that "if you take polls, most Americans would probably say we should save more money in defense." In a Wall Street Journal/NBC News poll last June, respondents ranked defense about midway in a list of potential areas to be cut for balancing the budget. A plurality of 41 percent said defense should be cut a great deal or fair amount, 26 percent said a little bit, and 30 percent said not at all.

But for the public, like the politicians, defense hasn't been a prominent issue. Pollster Guy Molyneux of Peter Hart Research, which conducted the Journal/NBC survey, says, "One reason you're not hearing more about cutting defense is there's no credible political actor making the argument." But, he suggests, "a solid majority would agree with the proposition, if we're going to cut, defense should be cut at least as much as education and some of these means-tested programs."

[From the New York Times Magazine, Dec. 29, 1995]

#### THE BIG LIE

By Anthony Lewis

*Abroad at home*

The House Republicans who have closed much of the government for 2 weeks say they are doing it to assure a balanced budget. Only their plans, they say—ending Federal welfare and Medicaid and gutting many other programs—will return us to fiscal sanity.

"We believe this is an historic struggle," one of the Republican freshmen, Representative Ron Lewis of Kentucky, said, "perhaps our last great chance to stop robbing our children."

Baron Munchhausen, the great fictional liar, would be envious of such statements. For Washington has not seen anything as preposterous in years as the claim of the House Republican radicals that they are at the barricades fighting nobly for a balanced budget.

The truth is that the Budget Reconciliation Act passed by Congress carefully avoids touching most Federal expenditures. They include huge, obvious targets for anyone who really thinks balancing the budget is a historic priority.

Defense is the glaring example. It accounts for nearly half of all Federal spending except unavoidable items like interest on the debt.

The defense budget is ripe for serious rethinking and reduction. The cold war is over, the Soviet threat for which we built up enormous force is gone—and the enormous forces are still there, with the capacity to meet nonexistent strategic challenges.

But defense was exempted from this year's budget-cutting exercise. And Congress added billions to the President's request.

The defense appropriations bill, signed into law by Mr. Clinton because he needed the funds for Bosnia, is a masterpiece of waste and grease for special interests. It demands spending for all kinds of things the Pentagon does not want—many of them, by strange coincidence, to be built in the districts of leading legislators. Senator Trent Lott got in billions to build transport ships in Mississippi. There will be more of that notorious lemon the B-2 bomber, at \$1.4 billion each.

The defense authorization bill just vetoed by the President would have set new records for folly. Among other things it called for a national missile defense system that would guard against a nonthreat and would violate the Antiballistic Missile Treaty.

A second area of government that cries out for cutting is corporate welfare. According to the Congressional Budget Office, tax breaks and other subsidies to business cost \$100 billion a year.

The Republican Congress cut about 1 percent from those business benefits, but it left intact some of the most fragrant programs: \$3.5 billion over the next 7 years to push gasohol, a gasoline substitute made in good part by the giant Archer Daniels Midland Co.; \$4 billion to subsidize U.S. merchant ships, and so on.

Then there is the Republican tax cut. It would cost the Treasury \$240 billion over the 7 years when the claim is that we must balance the Federal budget. Much of the tax cut would go to the well off, while the working poor lose some of the Earned Income Tax Credit that makes such a difference in their lives. A cut in the estate tax would benefit the richest 1 percent of Americans.

Buried in the tax plan are provisions that would help particular interests. Senator Bob Dole stuck in a boost for tax-free funeral insurance that would help undertakers and cost the Treasury \$3.5 billion over 7 years. The Golden Rule Insurance Co., one of the biggest campaign contributors to Republicans, got special treatment for its medical savings accounts. Exactly three computer companies would benefit from a provision put in by the House Ways and Means chairman, Bill Archer.

What does it all mean? Ideology is king. The authors of the Republican budget bill did not strike at Medicaid and welfare and the Earned Income Tax Credit because that was the easiest way to balance the budget. They did so because they wanted to stick it to the poor.

The next time Representative Ron Lewis or one of his colleagues looks at you soulfully and says this is the historic last chance to stop robbing our children, tell him you really do understand his priorities: After the B-2 and funeral homes and the richest 1 percent and Mississippi ship builders and the makers of gasohol, our children come first.

[From Time Magazine, June 5, 1995]

## WHY THE PENTAGON GETS A FREE RIDE

By Mark Thompson

*As the budget knife cuts deep, defense is spared because of a dubious two-wars-at-once doctrine*

WASHINGTON.—It was as if the Berlin wall had never come down. Last week the House National Security Committee force-fed the Pentagon \$553 million to start building more B-2 bombers, whose original mission was to wage nuclear war against the Soviet Union. Meanwhile, the Senate endorsed a budget blueprint, including a \$1.5 billion payment on the Navy's third *Seawolf* attack submarine, which was created to track and destroy the Soviet navy, and is now rusting at pier side. And the Army's first RAH-66 Comanche helicopter—designed to defeat Moscow's *Hokum* helicopter—rolled out of a Connecticut factory attended by bunting, a military band and a real, befeathered Comanche chief.

As anxious advocates for the poor and elderly fight to stave off budget cuts, the Pentagon seems immune. One would never know it, however, from the rhetoric wielded on behalf of Pentagon spending. "You couldn't fight Desert Storm today,"

House Speaker Newt Gingrich told Time, despite Pentagon assertions that the U.S. military is now primed to fight two such wars at once. "We're going to get people killed if we downsize much more."

In fact, defense spending today is lapping close to its level during the cold war. The Pentagon proposes to spend 92 cents for every cold war dollar, once adjusted for inflation. The House committee last week recommended a \$267-billion defense budget for next year, \$9.5 billion more than Clinton is seeking. The Senate approved a budget resolution that mirrored Clinton's defense request, and the final figure will probably split the difference and provide around \$270 billion. But even Clinton's sum is more, after adjusting for inflation, than the U.S. military spent annually in the mid-'50's and mid-'70's.

Even on its post-cold war diet, the U.S. military costs nearly as much as the rest of the world's armies put together. "There's no other country that has the requirements we're confronted with," says Defense Secretary William Perry. "Unless we're willing to back off those requirements and go into an isolationist stance, we will have a uniquely high military budget."

But this high? Pulling back the curtain on the Pentagon's battle plan discloses a patchwork of arbitrary decisions and inflated threats. In 1993 the administration concluded that the U.S. military needed enough forces to win two "major regional contingencies," each akin to the Persian Gulf war, at the same time. But there is growing sentiment in defense circles that the Nation's two-war strategy is wrong, at least in light of expected funding levels. "The two-war strategy is just a marketing device to justify a high budget," says Pentagon cost analyst Franklin Spinney. A study by the Center for Strategic and International Studies, a Washington think tank, concludes that projected spending is "incapable of meeting" the two-war requirement.

Some defense experts, including the most recently retired member of the Joint Chiefs of Staff, argue that the two-war plan should be jettisoned for a smaller military able to prevail in a single, major conflict while deterring would-be foes from starting a second. "We should walk away from the two-war strategy," says retired Air Force Chief of Staff Merrill McPeak. "Neither our historical experience nor our common sense leads us to think we need to do this. We've had to fight three major regional contingencies in the past 45 years," the former four-star general says, referring to Korea, Vietnam and Iraq. "One comes along every 15 years or so—two have never come along simultaneously."

Even before leaving the Pentagon, McPeak pointed out the excess in his own bailiwick, the U.S. Air Force. While the Air Force is the world's largest, with 3,200 planes, the U.S. Navy's warplane fleet of 1,900 ranks as No. 3, after China's 2,800, he pointed out. Not a single one of the United States' currently likely foes has more than about half the number of planes that the U.S. Navy alone has. McPeak maintains that the costly demands to outfit and train some 1.5 million troops for two wars is bleeding dry the military's readiness and weapons-buying accounts. "If you come down to 1 million troops," McPeak says, "you can do one war, be ready to do it and be modernized to do it." Scaling back to such a force would permit the Army to cut its 10 divisions to 6 and the Marines its 3 divisions to 2, according to some defense experts. Air Force fighters could fall from nearly 1,000 to 400, and the Navy's carrier fleet could shrink from 12 to 10. Lawrence Korb, a top Pentagon official during the Reagan years, agrees with McPeak's estimate that scaling back to a force for "one war plus deterrence" could save about \$50 billion annually, or about 20 percent of the defense budget.

McPeak dismisses the gospel of his former fellow Joint Chieftains, who insist that retreating from a two-war strategy would tempt troublemakers once U.S. troops were pinned down in the first conflict. "Not true," he insists. "If the adversary sees the United States keeping its commitment somewhere, it deters the second. Nobody in the world is anxious to fight the United States if they judge that we are serious." McPeak acknowledges that the Clinton administration's shaky relations with the military make it unlikely that this administration would push to replace the two-war strategy with a more modest pledge, although the Pentagon's civilian leaders quietly suggested it 2 years ago. "They got their shins kicked," says McPeak. "It has to be a hard-line guy who says, 'This is silly.'"

But perhaps the strongest pressure for maintaining a well-equipped military is economic: defense spending amounts to a domestic-jobs program. Congressman Floyd Spence, who chairs the National Security Committee and hails from a South Carolina district bristling with military facilities, proposed in February that Congress boost Pentagon spending \$125 billion more than Clinton had proposed for the next 5 years. But Spence ran into spending slasher John Kasich, chairman of the House Budget Committee. A frustrated Spence even accused Kasich of "siding with people who want to destroy our Nation's defense." Kasich prevailed, but knows his

own limits. He will fight proposed spending for the B-2 but will leave it to others to stop the *Seawolf*.

The current Air Force chief, Gen. Ronald Fogleman, has recently gone for rides on Russian warplanes and cites their impressive performance to justify the Air Force's new F-22 fighter, which costs \$150 million per plane. He concedes that the F-22 could be downed by budget-balancing lawmakers, but he refuses to declare that it's time to retreat from the two-war doctrine. "I'd like to be like General McPeak," he says, "and wait until I retire before I espouse my opinion on that."

[From Foreign Affairs, November/December 1995, Vol. 74 No.6]

## OUR OVERSTUFFED ARMED FORCES

By Lawrence J. Korb

### REASONS TO CUT MORE

Despite their differences, President Clinton and the Republican-controlled Congress have agreed on two things. The first is that the Federal deficit should be eliminated by slashing Federal spending rather than increasing taxes; indeed, both sides want to cut taxes. They have also agreed that projected levels of defense spending will not be part of any deficit reduction package. In fact, both the administration and Congress have called for increases for defense for the rest of the decade. In 1996 and 1997 alone Congress wants to add \$20 billion to what the Pentagon requested, and it has established firewalls between defense and nondefense areas of the budget so that funds cannot be shifted to cushion cuts in social programs. Under the terms of the joint budget resolution Congress adopted in June, between 1995 and 2002 domestic discretionary funding will fall from \$248 billion to \$218 billion while military expenditures will rise from \$262 billion to \$281 billion.

With the demise of the Soviet threat and the emerging consensus on the need to deal with the deficit, one might have expected defense spending to bear some portion of the reductions, or at least not be increased. In the budget reduction plans of 1990 and 1993—both of which were much less severe than the current version—defense cuts played a major role. Moreover, by about a 2-to-1 margin Americans support reducing defense to bring down the deficit and oppose the Clinton-Republ-ican plan to boost spending on the Armed Forces.

Proponents of a larger defense budget are quick to point out that military spending has declined for a decade and is now about 35 percent lower in real terms than in 1985. Or that the share of GDP consumed by defense (4.0 percent) is at a 70-year low. Or that the proportion of the Federal budget that goes to defense is at its lowest level since Pearl Harbor. Or that the active force is smaller than at any time since the eve of the Korean war.

While all these statements are true and historically interesting, they are meaningless as a guide for policy. Defense spending should be measured against the efforts of potential adversaries and allies, not past U.S. administrations. According to figures from the International Institute for Strategic Studies, the United States will spend on national security this year more than three times what any other country on the face of the Earth spends, and more than all its prospective enemies and neutral nations combined. Its \$262 billion defense budget accounts for about 37 percent of global military expenditures; its NATO allies, along with Japan, Israel, and South Korea, account for 30 percent. The 15 other NATO nations will spend some \$150 billion on defense in 1995. Russia, the second-biggest spender, will lay out about \$80 billion, Japan about \$42 billion, and China about \$7 billion (though this last is subject to more than the usual debate over defense figures). The world's six rogue states—Iran, Iraq, Libya, Syria, North Korea, and Cuba—have a combined annual military budget of \$15 billion.

Speaking at the National Policy Forum in May, Ronald Reagan's Secretary of Defense, Caspar Weinberger, illustrated just how distorted the debate has become. While acknowledging that the United States need not spend as it did during the cold war, Weinberger maintained that Clinton was virtually disarming. But the United States will pay \$15 billion more for defense this year, in inflation-adjusted dollars, than it did in 1980 at the height of the cold war.

What accounts for this state of affairs? The military advocates and politicians who back an excessive defense budget stress three strategic and operational arguments: the new and multiple threats to U.S. interests that have arisen with the collapse of the cold war order; what they claim is a crisis in military readiness; and a supposedly severe underfunding of agreed-on programs. All three arguments are flawed.

## TWO WARS AT ONCE

The threat against which U.S. forces would be deployed has been vastly exaggerated. The Clinton military strategy, developed in the Pentagon's 1993 Bottom-Up Review of post-cold war defense needs, postulates armed services capable of fighting and winning two major regional conflicts at the same time, one in southwest Asia and the other on the Korean peninsula. Even if one accepts the somewhat dubious proposition that two such wars will occur simultaneously, the number of U.S. troops said to be necessary to fight them is drastically inflated.

Since its unveiling, the Bottom-Up force structure has been criticized by many as inadequate to fight two major regional contingencies. These critics include highly placed politicians like Senate Majority Leader Bob Dole (R-KS) and South Carolina Republicans Strom Thurmond, chairman of the Senate Armed Services Committee, and Floyd Spence, chairman of the House National Security Committee. They argue that in a future Persian Gulf crisis the United States would have to send about as many divisions, tactical aircraft, and ships to the gulf as it did in 1990-91. This assumes that the Iraqi military is as strong as it was when it invaded Kuwait and that the United States would once more stand by and let Saddam Hussein conquer his neighbor, then go in alone to oppose him. But if, for example, the United States reinforced its troops on duty in the Gulf, as it did in October 1994 when some Iraqi army units again moved toward Kuwait, 200,000 troops would be more than enough. Indeed, in October 1994 the dispatch of 13,000 additional troops to the Gulf was enough to stop Saddam's military buildup. Adding forces from Middle Eastern and European allies would provide an extra cushion.

These same critics of the Bottom-Up force structure take at face value the Pentagon's assumption that the United States would need 400,000 troops to roll back a North Korean invasion of South Korea. This is a startling number—more people than the United States deployed in the Korean war. At the outset of that so-called Forgotten War there was no South Korean military to speak of, and 4 months into the conflict the Chinese sent in 1 million men. Today South Korea has 650,000 well-equipped and well-trained troops, and it is difficult to conceive of China sending any troops to support a North Korean attack.

In an interview published in the October 1994 issue of Naval Institute Proceedings, then-Secretary of Defense Les Aspin, who conducted the Bottom-Up Review, said the Joint Chiefs arrived at the 400,000 figure by postulating that a South Korean soldier is 70 percent as effective as an American but that a North Korean is equally effective. A more reasonable calculation would be that the average North Korean soldier, less well-trained and using older weapons, is half as effective as an American and somewhat less effective than a South Korean. That would drop the demand for United States troops in Korea to fewer than 200,000.

Thus even if two wars were to occur simultaneously, the United States would have to deploy only 400,000 troops to both theaters—about 16 percent of the current total force of 2.5 million active duty and reserve personnel, far less than the 30 percent most strategists would deem sound. Moreover, since no enemies of the United States took advantage of American involvement in the Korean, Vietnam, or Persian Gulf conflicts to launch an attack, one can question the validity of planning for two wars in the first place.

## READY OR NOT?

Another reason for the unwillingness to consider reducing the Clinton defense program is the trumped-up crisis in military readiness, or the ability of units to perform as expected. Ever since the late 1970's, when the Armed Forces suffered a real readiness crisis because they had been allowed to become hollow—undermined by significant numbers of unqualified and poorly trained people in the ranks—political leaders have lived in fear of appearing soft on the subject. Every Secretary of Defense since 1980 has said on taking office that readiness was his highest priority. Anytime President Clinton speaks about military issues, he too recites the readiness mantra.

Since March 1993, when Clinton reduced Bush administration defense-spending projections by less than 2 percent per year, the President's Republican critics have been warning about the looming crisis in readiness and the imminent return to the hollow military. Representative Floyd Spence argued in mid-1994 that readiness was already in a downward spiral; at about the same time John McCain (R-AZ), a member of the Senate Armed Services Committee, issued a report titled "Going Hollow" based on testimony by the military chiefs of the four services. Dick Cheney, Bush's defense secretary, was also writing and traveling around giving speeches about the hollow force.

Members of the Clinton administration inadvertently fanned the flames of the readiness fire. After receiving anecdotal reports of problems, new Defense Secretary Aspin in 1993 appointed a group of high-ranking retired officers to a readiness panel. After the November 1994 Republican congressional victory, the Army leaked the news that 3 of its 12 divisions were not ready, and Secretary of Defense William Perry failed to note that the 3 were late-deploying divisions, that 2 of them were in the process of being disbanded, and that the problem occurred only because about \$100 million in training funds had been diverted from these stateside units to support the invasion of Haiti.

Many alarmed by this fictitious crisis are unaware of what readiness means to the Pentagon, how it is measured by the military, and what caused the crisis of the late 1970's. Readiness is not a synonym for military preparedness or capability. Rather, it is only one of four components of military capability, and not necessarily the most important. Compared with the other three—force structure, modernization, and sustainability—it is the most arbitrary, subjective, transient, and easily manipulated. Thus a unit can be very ready but not capable if it is too small, too old, or unable to fight very long; the French military of 1939, among the most ready in the world, was easily overrun by the more capable German Army. Readiness often lies in the eyes of the beholder: the rating officer. Finally, readiness can decline rapidly, at least on paper. For example, an army division that is fully manned and has all its equipment in good working order can be rated not ready if even one brigade misses or postpones a required training exercise.

The readiness crisis of the 1970's resulted from the poor quality of entering recruits, low retention rates, and lack of funding in the readiness account. Today the quality of recruits is high (96 percent are high school graduates, compared with 68 percent in 1980), and retention rates are so good that the Pentagon is forcing people to leave the service before they wish. Moreover, spending on readiness is not only 50 percent higher per military person than in the late 1970's, but higher than during the Reagan and Bush years, when readiness indicators hit all-time highs. In 1995 the Clinton administration will spend \$4 billion more on readiness than the Bush administration had projected.

Arriving at the final major argument for increasing military spending, some assert that Clinton's \$1.3 trillion 5-year defense program, unlike its predecessors, has been severely underfunded. Estimates of the shortfall range up to \$150 billion in a report by the General Accounting Office, while the Pentagon admits to about \$25 billion. But even if the higher figure is correct, this is not a new problem for defense planners; for example, a decade ago the Reagan-Weinberger 5-year defense program was underfunded by about \$500 billion. Moreover, the figure is a technical estimate based on assumptions about inflation and projected cost overruns, and Clinton has pledged to make up the difference if his inflation estimates prove overly optimistic. In December 1993 and 1994 he did just that, adding some \$36 billion to his defense plan. If today's weapons systems face cost overruns, the Defense Department will adjust as it always has, by buying smaller quantities or stretching out the purchasing period. And it is difficult to believe, for instance, that the program for the current transport aircraft, the C-17, will experience more overruns than its infamous predecessor, the C-5, which cost so much more than expected that its maker, Lockheed, needed a federally guaranteed loan to avoid bankruptcy.

#### OVERWEIGHT BAGGAGE

Perhaps the most important reason defense has not been subjected to the same scrutiny as other Federal programs is the political baggage the White House and many members of the Republican Congress carry. While there has always been a certain amount of politics and parochialism in the defense debate, they have rarely reached their present levels.

Clinton's widely publicized avoidance of military service during the war in Vietnam and his lack of foreign policy experience made him reluctant to confront the military on money matters or other major policy issues, or to risk being perceived as weak on defense. His unwillingness to stand firm on gays in the ranks or American involvement in Bosnia set the tone early for White House dealings with the Pentagon on defense spending. In his original defense program, included in his March 1993 economic package, the President called for spending about \$1.3 trillion on defense for 1994-98, or roughly \$260 billion a year. But in the Bottom-Up Review the Pentagon argued that it could not meet its new objective of winning two simultaneous major regional wars with a mere \$1.3 trillion. Rather than challenging the assumptions of the review or asking why \$260 billion a year was not enough to oppose the rogue states that might start a conflict, Clinton promised to make up the shortfall.

In December 1993 the President added \$11 billion to his defense program, and in his first State of the Union address in January 1994 he announced that there would be no further reductions in this plan. Shortly after the Republican victory in last year's congressional elections he called a press conference to reveal that he was adding another \$25 billion to his defense program. Clinton's politically inept handling of the issue and his appointees' refusal to take any heat for him on it have compounded the problem.

The President's critics have made much of the fact that Clinton's \$120 billion in defense cuts in the March 1993 plan were double what he promised during the campaign. But neither Clinton nor his supporters retorted that the critics were comparing apples and oranges. The campaign promises referred to defense programs through 1997, while Clinton's economic package ran through 1998, which accounted for \$40 billion of the lowered figure for defense; the new administration's readjustment of the Bush program to reflect different assumptions about pay and inflation accounted for the final \$20 billion. Nor did Clinton and his advisers advance the obvious comparison to the defense spending of America's friends and foes or point out that their plan kept military outlays at 85 percent of the average cold war level, allocating more for defense in 1995 than Richard Nixon had for 1975. Finally, they did not mention that Bush shrank the 5-year defense program he inherited from the Reagan administration by more than \$300 billion and reduced his projected levels of defense spending each of his 4 years in office.

The Republicans too are victims of their own rhetoric and history. In their Contract With America—a major factor in their electoral triumph—the GOP promised to restore the portions of national security funding they deemed essential to strengthening defense and maintaining America's credibility around the world, and pledged to reinstate a national missile defense system to protect against a limited or accidental nuclear attack. Because of this plank in their contract, and because they perceive Clinton as vulnerable on defense, Republicans were determined to jack up whatever number the President named for defense spending. The Republican plan sees Clinton's proposed \$25 billion increase and raises him another \$25 billion over the next 7 years. Like Clinton, the Republicans upped the ante without specifying what programs needed to be funded or how the increase would affect national security.

One area on which Republicans seem determined to spend additional funds is the revival of the Strategic Defense Initiative, now known as National Missile Defense. Support for strategic defense has become a litmus test of loyalty to the Reagan legacy; for Republicans, National Missile Defense is the foreign policy equivalent of abortion. Thus, almost in lockstep, Republicans in Congress are voting to double the amount currently spent on defending the United States against a missile attack and to deploy the new system early in the next century. Republicans want to throw some \$40 billion or \$50 billion at a multi-site continental defense system although there are serious doubts about necessity and cost effectiveness and although such a system would violate the 1972 Antiballistic Missile Treaty, negotiated by a Republican President. Even Colin Powell, former Chairman of the Joint Chiefs of Staff and potential Republican Presidential contender, who has been a strong supporter of the Strategic Defense Initiative, has told Republicans that a national missile defense is entirely unnecessary.

#### GUNS AND JOBS

Yet another political reason for not cutting military spending is that both the administration and Congress increasingly view defense as a Federal jobs program. Weapons programs like the B-2 bomber, the *Seawolf* submarine, and the V-22 *Osprey*, designed to combat the Soviet threat, live on because of the temporary economic problems that taking them out of production would cause. The two sides in the debate over whether to build a system are no longer hawks and doves but those who have defense contractors in their district and those who do not.

Clinton set the tone in the spring 1992 Connecticut primary. In a futile attempt to win that contest, he endorsed the \$13 billion *Seawolf* submarine program based in Groton, CT, which President Bush was trying to cancel. The program has been kept alive on Capitol Hill primarily by the largely liberal Democratic delegation from New England, despite the strenuous efforts of Republican hawks like John McCain of Arizona. When Bob Dole became a Presidential candidate he too discovered the merits of this cold war relic.

Four years ago two members of the House Armed Services Committee, liberal Ron Dellums (R-CA) and conservative John Kasich (R-OH), brokered a compromise on the B-2 strategic bomber, which had been developed to penetrate the highly sophisticated air defenses of the Soviet Union and drop nuclear bombs. Rather than kill

the program outright because the Soviet threat was defunct, Congress would authorize production of 20 of the bombers at a cost of \$44 billion so that the country could recoup its investment in research and development. Even the Air Force accepted this as reasonable. But as the production line wound down the California delegation sprang into action, led by senior Senator Dianne Feinstein, who inadvertently declared on the floor of the Senate that the B-2 should be saved because it delivered a heavy payroll (corrected the next day to "payload"). Congress ordered Defense to study whether the Department needed 20 more of the planes to prosecute its two-war scenario. The Institute for Defense Analysis, directed by Gen. Larry Welch, a former head of Strategic Air Command and Air Force Chief of Staff, concluded that the answer was "no." Kasich wrote an excellent piece, published in the Washington Post, making the case against continued production of the bomber. Nonetheless, in a close vote the House decided to proceed with the next 20 bombers, at a cost of at least \$30 billion. Putting the bill over the top were 17 members of the Congressional Black Caucus concerned primarily about jobs in their districts.

#### HARDLY STREAMLINED

Again, it is largely politics that has kept cutbacks in the Pentagon's overhead lagging behind those in its force structure. A decade ago the Defense Department had enough bases to support a total force of 12 million people. Through the efforts of the Base Realignment and Closure Commission, which met in 1988, 1991, and 1993, the number of major excess bases was halved, from 140 to 70. This year the Defense Department was supposed to close the remaining 70 bases; as its comptroller noted, it cannot live without the projected savings from the last round of closures. But with one eye on the political calendar, the Clinton administration proposed shutting only 32. When the commission added two bases in politically crucial California and Texas to the administration's list, Clinton accused the commissioners, whom he had appointed, of political motives, and directed the Pentagon not even to begin phasing out McClellan Air Force Base in California and Kelly Air Force Base in Texas for 5 years and then to privatize the jobs. This will make it difficult to have another round of base closures or even to achieve the full savings from the current round. The Pentagon spends about \$5 billion annually on unnecessary bases.

At about the same time the administration was playing politics with base closures, it missed another opportunity to streamline military operations. Early last year, under pressure from Congress, the Pentagon established a commission to analyze the roles and missions of the Armed Forces, essentially unaltered since 1948. Even though the nature of the threat and the nature of warfare have changed significantly in the last half century, the commission, headed by Deputy Secretary of Defense John White, found no duplication or overlap in the four armed services in such areas as close air support, space warfare, air strikes deep behind enemy lines, and defense against enemy aircraft and missiles. Gen. Merrill McPeak, then the Air Force Chief of Staff, told the commission in the fall of 1994 that the division of roles and missions among the services was outdated and that the current defense program had more than enough money if the Defense Department would only organize itself rationally. But his fellow chiefs dug in their heels against major changes, and even McPeak's successor declined to support his position. The commission members, apparently not wanting to challenge the chiefs, contented themselves with a few bromides on privatization and jointness.

Finally, there are the unneeded units in the Army National Guard, which Clinton and Congress have conspired to retain. When the cold war ended in 1990 the Bush administration wanted to cut the Army National Guard by roughly the same proportion as the active army, but the National Guard Association mounted a furious lobbying campaign on the Hill to forestall the cuts. During the 1992 campaign Clinton endorsed the association's position, and his Pentagon has maintained 42 combat brigades in the guard even though the Joint Chiefs' war plans, which formed the basis for the Bottom-Up force structure, call for only 15. The extra 27 brigades and 100,000 people cost about \$3 billion annually.

#### HOW TO SAVE \$40 BILLION A YEAR

In this year's debate over the size of defense appropriations, Speaker of the House Newt Gingrich (R-GA) stated that the present military budget is far above what is necessary to defend the Nation. But, Gingrich says, the excess is a premium the United States pays to carry out its role as a world leader. The question then is how much above defense needs that premium should be.

The Clinton defense program, which will cost about \$260 billion a year, calls for maintaining a total force of 2.5 million people, 1.5 million active and 1 million reserve. There will be 19 ground divisions, 12 carrier battle groups with 346 ships,

20 air wings, and 184 bombers. This conventional force will be backed by 3,500 strategic nuclear weapons.

This is the force considered necessary to win two major regional conflicts. However, taking a more realistic view of the threats in the Persian Gulf and Korea, the total force can safely be reduced to 2 million (1.3 active and 700,000 selected reservists), which could support 15 ground divisions, 9 carrier battle groups with 300 ships, 20 tactical air wings, and 150 bombers. In addition, the United States should lower the number of strategic nuclear weapons in its arsenal to 1,000. These manpower and force structure reductions alone would save about \$15 billion a year. Readiness spending per military person can be pared down from cold war levels because there is no longer danger of a sudden massive attack on U.S. forces. These two changes could save about \$10 billion a year.

Spending on modernization can also be reduced. Given the technological edge of current U.S. weapons systems, there is no real need to procure larger numbers of next-generation weapons like tactical aircraft. For example, because the military can perform its mission of maintaining air superiority with upgrades of existing planes, instead of buying all 400 F-22 Stealth fighters for \$72 billion as currently proposed, the United States should produce only 50 to 75 of the planes. This will enable the Pentagon to remain on the cutting edge of technology, and the planes will be available for sophisticated missions, as were the 55 F-117s bought in the 1980's and used so successfully in the Gulf war. Similarly, since the *Seawolf* will be built, the United States can delay the follow-on *Centurion* class submarines and keep the *Los Angeles* class submarines in service to the end of their useful life. Finally, National Missile Defense can be retained as a research program, and if proliferation of nuclear weapons and ballistic missile technology makes deployment necessary, a \$5-billion single-site system augmented by space-based sensors will be more than sufficient. These measures would save at least another \$5 billion annually.

Completing the base closure process, rationalizing the roles and missions of the four services, and taking such commonsense steps as privatizing two-thirds of the maintenance work at the Pentagon instead of the current one-third could easily save another \$10 billion.

Together these actions could lower defense spending by some \$40 billion a year, bringing the annual defense budget down to about \$220-\$225 billion. It would take time to get there from here, so the savings would not come all at once. But if the Nation reduced defense spending by \$20 billion a year from its projected levels, the savings over 7 years would be enormous. This would also free up funds to buy more airlift and sealift as well as more minesweepers and to invest in new concepts like missile-firing ships.

An annual defense budget of about \$225 billion would be in keeping with the American public's preferences and the need for deficit reduction. It would also give the United States the wherewithal not only to defend itself but to play the role of world leader envisioned by Speaker Gingrich. It is not a dearth of money or forces, after all, that keeps the United States out of messy conflicts like the Balkans, but lack of leadership and will.

Mr. MILLER. Thank you very much, and we without objection will include the information with your report.

Ms. FURSE. Thank you.

Mr. MILLER. Thank you; and right now, we will stand in recess until another Member arrives.

[Recess.]

Mr. MILLER. Congressman Klug, we will begin, and I look forward to hearing your testimony.

#### STATEMENT OF HON. SCOTT L. KLUG, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WISCONSIN

Mr. KLUG. Thanks, and thanks for the opportunity to be with you this morning.

As you might imagine, as when I came before this committee last year, privatization is an idea that I do not think this Congress has fully taken advantage of. And in my testimony that you will see before you, there are several ideas for privatization, many of them focused on the Power Marketing Administration that this committee,

I believe, had all the right inclinations last year, even if Congress as a whole did not. I think you have to ask yourselves why, in the 1990's, the Federal Government is still in the business of running and operating hydroelectric plants. I do not think that that is one of the priorities our constituents would give us. And secondly, if you sell those plants off, you bring in literally tens of billions of dollars to the Federal treasury.

One of the things I want to reemphasize to the committee too, although in some ways, it does not fit under the traditional power marketing administration kind of headline, is the Tennessee Valley Authority, which I think is a real ticking time bomb that this committee needs to pay close attention to. Under Federal statutory authority, the Tennessee Valley Authority is allowed to borrow \$30 billion. It is now well over \$28 billion, and it is my great fear, and frankly the great fear of the General Accounting Office, that if we do not resolve the Tennessee Valley Authority soon and force it to compete in the market with everybody else that we may end up with TVA and its \$30 billion bill right in our laps.

The General Accounting Office said: "To the extent that TVA cannot compete effectively and improve its financial condition, the Federal Government is at risk for some portion of TVA's debt." And I think if ratepayers in the Tennessee Valley Authority are worried what would happen under competition if you privatized the TVA, just think what would happen to the rates if they had to pay off a \$30-billion debt.

I want to raise two new issues if I could with you this morning, Mr. Chairman, that my office did not work as aggressively on last year that we are going to kind of add to our shopping list this year. One of the new sections is Department of Energy labs. Now, we have spent a lot of time, especially with our colleagues in the freshman class, talking about eliminating the Department of Energy. About 30 percent of the Department of Energy staff works on the Power Marketing Administration. So clearly, you cannot eliminate that part of the Department of Energy unless you sell those dams off, which I and a number of people on this committee would like to do.

About 40 percent of the Department of Energy staff works on the Department of Energy labs. And last year, the Department of Energy established the Galvin Commission to propose alternative futures for the 10 laboratories, and the recommendations ranged from establishing a clear mission for each lab to some kind of corporatization. Their recommendations are worth exploring, since the commission thought that Congress could save as much as \$3 billion. Now, I think frankly, while I am not a big fan of the Base Closure Commission model because I think it really is only useful in applications where you are trying to sell off physical property or assets, I think Congress should be establishing policy.

In this case, it seems to me what you really need to do is take the politics out of this and allow independent experts to decide which labs should stay open and which labs should close down and which labs should consolidate. Needless to say, a number of those facilities are in New Mexico, which happens to raise a very delicate issue with the other House and its chairman of the Budget Committee. But the bottom line, as the Galvin Commission said, is that

many of the Department of Energy labs which were established essentially to do nuclear research in the cold war can no longer be justified. So let me suggest that the Budget Committee pay particular attention to the Galvin Commission's recommendations.

And finally, the last issue I want to raise with this committee, which is new, and I obviously have a longer statement for the record, is the Department of Defense Uniformed Services University of the Health Sciences, which is essentially a medical school the U.S. military runs in Bethesda, MD. And if we are talking about privatization, it seems to me that there are absolutely limitless opportunities to send young, bright men and women who want to spend their careers as doctors to go to any number of private universities or State public universities rather than to go to a university medical school run by the U.S. Government. It costs roughly double to send every student through that program what it would cost to send them on scholarships to universities across the country.

So just as I suggested to this committee earlier that if you asked our constituents about top priorities for the Federal Government, I cannot believe that running outmoded energy labs would be high on their lists. I doubt many of them would suggest that we remain in the electricity business. And I think very few of them would think that it is necessary for the U.S. Government to run its own medical school.

So thanks for the opportunity to testify, and you have a whole series of other recommendations in my written testimony before you.

[The prepared statement of Mr. Klug follows:]

PREPARED STATEMENT OF HON. SCOTT L. KLUG, A REPRESENTATIVE IN CONGRESS  
FROM THE STATE OF WISCONSIN

Last year, the House Budget Committee assembled monumental legislation that would balance the Federal budget and I am pleased, Mr. Chairman, to have this chance to participate in this important endeavor this year. With the deficit growing to an astronomical size of \$5 trillion, Congress cannot afford to rule out any options for savings, no matter how small or big they may be. Reducing government spending is not only a solution to eliminating the deficit but also forces the government to operate as efficiently as possible. The ideas I list below are a few immediate options the committee should consider to balance the budget and, in some cases, generate revenue to the Treasury.

APPALACHIAN REGIONAL COMMISSION (ARC)

ARC's primary mission is very clear: to end poverty in Appalachia by providing economic development assistance. How then, Mr. Chairman, are ARC-funded projects such as a football stadium and the NASCAR Hall of Fame helping their mission? Their mission has become very bloated with needless spending at taxpayers' expense. Last year, an ARC delegation attended an international trade fair in Portugal and Sweden to look into holding a similar event back home.

Cost to the taxpayers = \$170 million annually.

MINING LAW REFORM

Current mining law is based on legislation written 124 years ago. The 1872 Mining Law allows mining corporations to "patent" or purchase 270 million acres of Federal lands containing valuable minerals for \$5 an acre. It was intended to encourage settlement of the West in the late 1800's. Today, mining corporations are mining gold on public lands and paying no royalties to the Federal Government.

I introduced an amendment to the fiscal year 1996 Interior appropriations bill to extend the mining patent moratorium for another year to avoid selling Federal land for \$5 an acre. The moratorium is intended to give Congress time to pass meaning-

ful mining reform legislation that would charge a royalty for the valuable minerals mined on public lands. I urge the committee to remain firm on mining law reform to ensure that taxpayers receive their fair share.

Cost to the taxpayers = \$1.8 billion of mined minerals with no Federal royalty.

GOVERNMENT PRINTING OFFICE (GPO)

Last year I introduced an amendment to the fiscal year 1996 Legislative Branch Appropriations Act to reduce the GPO work force by 350 FTEs. In the end, the work force was only reduced by 100. Studies conducted within the last 4 years by GAO, Arthur Anderson, and the Public Printer's "GPO 2000" have all concluded that GPO is overstaffed for the amount of in-house work and that it would be more cost-effective to contract out the work. In addition, GPO personnel must be reduced to decrease losses. Given the current printing technology, the Federal Government could stand to benefit from contracting out these functions and downsizing the work force. Contracting out congressional printing at the GPO alone would save more than \$200 million.

Cost to the taxpayers = \$200 million for congressional printing.

BELOW-COST TIMBER

The U.S. Forest Service continues to lose money on timber sales. In 1994 alone, the Forest Service reported a loss in 87 of the 120 National Forests in the United States. As a result, taxpayers are forced to subsidize the logging industry through the Nation's forests. I urge the committee to end below-cost timber sales.

Cost to the taxpayers = \$337 million.

TENNESSEE VALLEY AUTHORITY (TVA)

As GAO stated, "To the extent that TVA cannot compete effectively and improve its financial condition, the Federal Government is at risk for some portion of TVA's debt." TVA's current debt of approximately \$28 billion is rapidly approaching their borrowing authority ceiling of \$30 billion. In addition, their nonpower program continues to receive a direct appropriation of approximately \$103 million. This appropriation is used, among other things, for economic development. Because the TVA region is located within ARC's region, the Tennessee Valley receives economic development assistance through both the TVA appropriation and ARC.

Cost to the taxpayers = \$103 million annually.

Liability burden to taxpayers = \$28 billion.

POWER MARKETING ADMINISTRATIONS (PMA'S)

Except for the United States, government subsidized power is becoming a thing of the past in many countries around the world. The government provides power through the PMAs: Alaska Power Administration; Southeastern Power Administration; Southwestern Power Administration; Western Area Power Administration; and Bonneville Power Administration. While the Alaska Power Administration is entering its final stages of privatization, the rest of the PMAs continue to be under the Federal Government. Like TVA, the PMAs continue to cost the Federal Government money through their collective debt of \$14.4 billion. In addition, Southeastern, Southwestern, and Western Power Administrations receive an annual appropriation of \$322 million. Privatizing the PMAs would not only generate some revenues from the sale, it would relieve taxpayers of the annual appropriations and the growing debt.

Cost to the taxpayers = \$322 million annually.

Debt burden on taxpayers = \$14.4 billion.

DEPARTMENT OF ENERGY LABORATORIES (DOE LABS)

Earlier last year, the Department of Energy established the Galvin Commission to propose alternative futures for the 10 laboratories. The recommendations ranged from establishing a clear mission for each lab to corporatization. These recommendations are worth exploring since they could save as much as \$3 billion. The model of the Military Base Closure Commission could apply to the DOE Labs. The Commission would make specific recommendations for each laboratory on its mission and whether it should be closed, merged with another laboratory, or corporatized.

Cost to the taxpayers = \$6 billion annually.

## DOD UNIFORMED SERVICE UNIVERSITY OF THE HEALTH SCIENCES

The Uniformed Service University of the Health Science is the U.S. Department of Defense's medical school located in Bethesda, MD. The DOD maintains the university to train medical physicians who will most likely spend their career in the military. In addition to receiving full tuition, each student receives the pay and benefits of an officer in active military service.

DOD also maintains a more inexpensive option for medical physicians who join the military. The Health Profession Scholarship Program provides full tuition and fees plus a monthly stipend for students attending civilian medical schools. The main difference between the university and the scholarship program is its cost and the minimum military service requirement. The scholarship program's total cost per graduate is \$1.8 million compared to \$3.4 million for each university graduate. The minimum requirement of service for a scholarship graduate is 2 years while the minimum requirement for a university graduate is 7 years.

The compromise between the two is obvious: close the university and increase the minimum requirement of military service under the scholarship program to 7 years.

Cost to taxpayers = \$3.3 million per university graduate.

Mr. NEUMANN. Thank you, Mr. Klug.

Mr. MILLER. Just to commend you, I am obviously a big supporter of yours as is Congressman Neumann, and you are doing a good job, and I think we have made some progress, but not as far as we would like to go. So we just need to keep the pressure on in the next session, and I think we will make even more progress. I think we did make some progress on TVA and some of these others, and so I think we are moving in the right direction, but we have a long way to go.

Mr. KLUG. And let me just say briefly that I think we are going to win eventually, only because the squeeze becomes so severe on discretionary spending that with some of these programs, I think eventually, Members of Congress are going to find themselves in an awkward juxtaposition where the choice is either selling off the PMAs—the dams—or cutting Head Start, or running the Appalachian Regional Commission or cutting student loans, or consolidating the Department of Energy labs or cutting money for WIC. Now, that is essentially the dilemma that we are going to face. And so, while this committee, I think, got some of what it wanted last year, and I got some of what I wanted in kind of small letters, s-o-m-e, I think in the years ahead, we are going to accomplish much of what we want to do simply because there is no other way to make the numbers add up.

Mr. NEUMANN. I must say that listening to you sounds a whole lot better than talking about spending more of our children's money. So I look forward to working with you on it, Scott.

Mr. KLUG. Thanks; and I will submit a longer statement for the record.

Thank you much.

Mr. NEUMANN. Ms. Danner, if you would like to be next?

#### STATEMENT OF HON. PAT DANNER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

Ms. DANNER. Thank you, Mr. Chairman.

It would appear that I move with more speed than my staff. They called me, and I left a luncheon to come over here from the Capitol, and they have not been able to make it over from just across the street. But I do believe that I can paraphrase and then present for the record the specifics.

In 1984, the United States Institute for Peace was initiated in this Congress. It is a very well-sounding name; no question about that; I think we all support peace, and we certainly do through the State Department and the Department of Defense and other entities. But when the United States Institute of Peace was founded, it was to become self-sufficient. It has now been on the books for 12 years at \$11 million approximately each year so that they have expended over \$100 million, and I would dare say most of us here in the Congress have never seen or heard of the Institute.

What I would like to propose, Mr. Chairman, is that rather than spend additional millions of dollars every year, we insist that after 12 years, they abide by the original contract, so to speak, which was that they would seek private funding and become privately funded and that they would no longer have to appeal to those of us here in government. And I will be glad to submit to you for the record my testimony.

[The prepared statement of Ms. Danner follows:]

PREPARED STATEMENT OF HON. PAT DANNER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

Mr. Chairman, members of the committee, today I appear before the committee to respectfully suggest that the U.S. Institute of Peace has stayed on the Federal dole for far too long.

Congress had an understanding with the Institute of Peace when it funded the Institute in 1984. The Congress said, in effect: we agree with the Institute's noble goal of conducting research into the causes of war and the pursuit of peace. And we applaud the Institute's well-intentioned efforts to develop skills and plans for conflict resolution. But the Congress also said quite explicitly that the institute, following initial Federal funding, should establish a private endowment and operate independently.

Well, when it comes to Federal funding, the words initial and preliminary have somehow become synonymous with indefinite and continuously. Those of us appearing before this committee today are here to see that Washington and the Congress start speaking the same dollars-and-sense language of the American people.

In my State of Missouri—a deal is a deal. And although I was not in the Congress when the legislation creating the Peace institute passed, I think a deal should be a deal—in Washington, just as in Missouri.

It is time that the Institute—with its \$11-million annual budget—finds private dollars. Since 1984, Congress has repeatedly reauthorized and appropriated dollars for this program. While no specific expiration date for Federal funding was stated in the initial legislation, I think 12 years and in excess of \$100 million is more than enough time and money for the Institute to begin to operate independently.

We cannot continue to pay for the efforts of the Peace Institute. We fund government agencies such as the State Department, Defense Department, and others that are working—with larger budgets and staffs—to accomplish the same goals.

Finally, in the Washington world of trillions and billions of dollars, over \$100 million may seem to some like the lost pocket change between the sofa pillows. It can stay there for months, perhaps even years, without ever being noticed.

Ladies and gentlemen, we need look no further than our recent government shutdowns to realize that the Congress must stop being too proud—or too blind, figuratively speaking—to look beneath its sofa pillows for lost dollars and unnecessary programs to eliminate.

Eliminating funds for the United States Institute of Peace is an excellent way to begin.

Mr. NEUMANN. Thank you; I can mention that I am aware of several other programs that were initially set up that were supposed to be 100 percent privately funded after a set period of time but never made it, so we very much appreciate the testimony in this area.

Ms. DANNER. Thank you, Mr. Chairman, very much.

Mr. NEUMANN. Thank you.

We will stand in recess until we have further people here.

[Recess.]

Mr. NEUMANN. We will come back to order, then, and we have Mr. Evans.

**STATEMENT OF HON. LANE EVANS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS**

Mr. EVANS. Thank you, Mr. Chairman. I appreciate this opportunity to testify today.

I urge the committee to consider my proposal that will take steps to reduce the deficit in a responsible and prudent manner by closing loopholes in the Federal tax laws that let multinational and foreign citizens off the hook in paying their fair share of taxes. These loopholes not only drain our treasury and increase the deficit but provide incentives to shift investments and jobs from the United States to overseas markets. Some of the most egregious examples of corporate welfare come from tax benefits which give U.S. multinationals the ability to characterize U.S. source income as foreign source so that they can receive a tax credit rather than paying their fair share to the treasury.

In addition, foreign investors are able to get a free ride from our tax system because they are exempt from paying capital gains taxes and are able to receive interest-free bonds from private entities. It is deeply disturbing that the Tax Code gives U.S. multinational corporations an opportunity to lower their tax burden by locating abroad while domestic businesses that want to export cannot receive benefits from these same loopholes. We must level the playing field for them and for average Americans who pay for the lost revenue. We need to ensure that corporate taxpayers live up to their responsibilities as U.S. residents and ensure that they do not dodge their responsibility of paying taxes and reducing the deficit.

For this reason, I have introduced H.R. 1278, the Corporate Welfare Reduction Act, which closes many of these loopholes to ensure that multinationals and foreign investors pay their fair share to reduce our deficit. The bill raises nearly \$24 billion over 5 years. Before we force hard-working Americans to make sacrifices to cut the deficit, it is only fair that we address areas in the Federal Tax Code that unfairly allow corporations and foreign individuals to sidestep their responsibility to reduce the deficit by increasing profits and decreasing their tax liability. We owe it to all of our citizens to close these loopholes and ensure that we reduce the deficit in a fair and equitable manner for every American.

I want to thank you for your time, Mr. Chairman, and the committee's time and urge your support for this legislation.

Mr. NEUMANN. Thank you. Can I just ask you a question on one of the things you said?

Mr. EVANS. Sure.

Mr. NEUMANN. Is it true that foreign investors are not required to pay capital gains, and would that apply to things like if they bought a stock that then appreciated in value, and they resold it?

Mr. EVANS. That is my understanding, Mr. Chairman.

Mr. NEUMANN. Thank you.

Mr. EVANS. Thank you.

Mr. NEUMANN. Thank you very much for your testimony.

Mr. EVANS. You are welcome; thank you.

Mr. NEUMANN. We will again be temporarily in recess.

[Recess.]

Mr. HERGER [presiding]. We will call to order the House Budget Committee and welcome the testimony of Congressman Hoyer.

Mr. Hoyer.

**STATEMENT OF HON. STENY H. HOYER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND**

Mr. HOYER. Thank you very much, Mr. Chairman. I appreciate your giving me this opportunity to discuss the Federal budget and what our Nation's priorities should be.

Let me first underscore my strong support for balancing our Federal budget. I have voted for a balanced budget amendment to the Constitution on numerous occasions and continue to believe that we must get our fiscal house in order. I note parenthetically that, in fact, we are doing that as you may have read in the Washington Post. I am sure the Budget Committee was pleased to see a reaffirmation of the fact that the deficit is going down not only in real dollar terms but also down very substantially in terms of the percentage of the GDP.

However, while I commend the Republican leadership for their focus on this issue, I disagree strongly with the proposals that have been advanced to achieve this very important goal. We should not, in my opinion, be considering tax cuts until we have balanced the budget and ensured adequate investment in our Nation's future. I especially want to commend President Clinton, who has pointed our country in the right direction. And as I referenced earlier, that direction is a very substantial drop in the deficit, both in real terms and as a percentage of the GDP.

We must continue, however, that trend, and we must do so without the unwise, in my opinion, and, I think, unsupportable cuts proposed in education, environment, law enforcement, and Medicare. As the members of the committee know, Mr. Chairman, the Democratic Coalition here in the House and the very distinguished ranking minority member of the Budget Committee, Mr. Sabo, put together an alternative that would balance the budget in 7 years. It actually, in fact, cuts deficits by \$30 billion more than the leadership alternative. However, the Coalition's cuts in discretionary spending are \$90 billion less than those in the Republican package. I regret that only 71 of my colleagues joined me in voting for this package last October. Very frankly, I would hope that both President Clinton and the Republican leadership could come together on a budget very close to the Coalition budget. It is not perfect from either standpoint, and I understand that, but it is, in fact, a responsible alternative which does balance the budget in 7 years and which, I believe, the President can support, and I would think that the Republican leadership could also support it.

I know the chairman of this committee has been very concerned—as all of us are—about the press of entitlements on our discretionary spending accounts. As a member of the Appropriations Committee, I can tell you that we are all very concerned because the budget debate largely centers around cuts in disre-

tionary spending. And this country, as you know, Mr. Chairman, is spending very substantially less on discretionary spending than it was 10 years ago, 20 years ago, 30 years ago, 40 years ago. In fact, what we are spending much more money on is the payment of interest on the debt and on entitlement spending; it is not discretionary spending that is causing our budget deficit problem. However, it is 90 percent of the focus because it is an easier part of the budget debate.

I ask that this committee adopt a real blueprint for a balanced budget, and again, I commend to you the Coalition budget for that purpose. It would require, as any budget document is going to, shared sacrifice. It avoids the tax breaks which we talk about both from a political sense, and we demagogue it on our side to some degree, but the fact of the matter is that we should achieve balance first. In 1981, very frankly, from my perspective, we talked a lot about how supply-side economics was going to get us there. And it did not get us there at all. And although it was a Democratic Congress—just as it is now a Republican Congress—your leadership now says, well, the reason we cannot accomplish our objectives is because the President vetoes things. Not one nickel of expenditures or one nickel of the debt was incurred without the signature of either President Reagan or President Bush over 12 years, and that is true of any President. But the fact of the matter is we could not have, as a Democratic Congress in the eighties, spent a nickel without the President, because we could not have overridden a veto and, in fact, never overrode a Presidential veto of a spending bill during those years.

Mr. Chairman, I also want to talk about another subject related to the budget which is critical. I want to urge this committee to reject any additional cuts in Federal employee benefits. Civil servants have given more than their share to deficit reduction, in fact, about \$200 billion over the last decade and a half. In the 103d Congress, Federal retirement benefits sustained the second largest cut of any entitlement program—\$9.6 billion over 5 years. President Clinton, against my advice, has already agreed to substantial cuts in order to reduce the deficit. All of these cuts, combined with the two unnecessary government shutdowns, have created low morale throughout the Federal work force. At a time when Vice President Gore and others are trying to reinvent government and reinspire our Federal work force, we should be encouraging—not discouraging—these public servants. I have communicated my concerns to the White House in pretty forceful terms, Mr. Chairman, and I hope that they will concur with you that these cuts are unwise. I urge that this committee reject the proposed cuts.

I will show you a chart here—you cannot see it from that far away, but we will get you a copy of it. But essentially, what it shows is that from 1981 through 1992—we have not brought it up to date—Federal employees' pay and benefits were reduced \$162 billion. That is to say if the law in 1980 had remained in effect over those 13 years, essentially, Federal employees and retirees would have received an additional \$162 billion in pay, retirement benefits, or health benefits. Now, one could argue correctly that the Nation could not afford that \$162 billion. The fact of the matter, however, is that the employees who were hired were hired on the basis

that this is the pay and benefits; and we keep changing them. We keep changing the rules every year on them, and it has the effect of reducing their compensation, which is made up of three components: pay, health, and retirement.

Federal retirees' cost of living adjustments should be given in January, not delayed until April. Sure, you save money. If you did not pay Federal employees anything, you would save a lot of money. But that would not be fair, nor would we be able to recruit and retain the kind of people that we need to run those programs that we think are important as a nation.

Employee contributions to the two Federal retirement systems should not be raised. The 1986 creation of the Federal Employees' Retirement System, known as FERS, was the result of 2 years of bipartisan hearings and bipartisan agreement on its adoption. We should not tamper with its benefits or contribution formula. In fact, FERS, of course, is fully funded. Any increase is essentially a tax increase for civil servants.

It is very nice to talk about working Americans and working families. But then, some frequently turn around and for the 2 million civilians who work for us, we say but on the other hand, you are going to have an increase in your contribution and a decrease in your benefits, and that extrapolates into a no-net-gain for them—tax cut or no tax cut. Agency payments to FERS and CSRS should not be increased either. I have talked to OMB and the President about this. This only squeezes the salary accounts of agencies.

What we do, Mr. Chairman, unfortunately as an Appropriations Committee and what we do in the Budget Committee is we assume the absorption of either all or a part of the pay raises that we talk about extending. Well, all that does is squeeze the salary accounts further. We do not increase the salary accounts; we just say they will be absorbed. If it is 50 percent or 100 percent, agencies absorb the additional cost in their salary and expense account, as you well know, which reduces the availability for employee pay and other needs.

Mr. Chairman, any successful businessman knows the importance of offering good pay and good benefits. We cannot attract the best and the brightest to public service without a similar commitment. Mr. Chairman, I hope that the Budget Committee will come up with an alternative for the budget that balances it and does so in a bipartisan fashion; we need to do that. And we need to, as Democrats and Republicans, come to an agreement that both of us can support. Frankly, the Speaker has told the President that the only thing he can agree to is an agreement that 218 Republicans support. Well, if Mr. Gephardt or the President took the position that he could only agree to something that 180 Democrats could support, we would never get to agreement. But let me tell you something: I am convinced that we could solve this budget crisis overnight if we could agree we will take 140 of yours and 120 of ours, and we will have a deal.

I do not know that we can do that, because I do not know that either political leadership wants to. I think the President can do it; the President's figure is 100. He says if I can get an agreement with 100 Democrats signing on, I can accept it. But if you guys on your side of the aisle set the threshold at 218, that is probably a

threshold we cannot get to, because you have a large number on your side, certainly above the 17 that would allow you to lose who are not really looking for agreement and certainly are not looking for an agreement that we can get 100 guys on our side to sign on to.

But thank you for giving me this opportunity to appear. I hope that we are successful in passing a 1996 revenue package at some point in time so that the work of 1997 can proceed based upon what we have done.

Thank you.

Mr. HERGER. Well, thank you, Mr. Hoyer. I appreciate your testimony, and I certainly join with you, and for the well-being of our Nation, we do need to come up with a budget, a budget that is balanced. I am happy to see that it is not if we are going to balance the budget; it is when. And hopefully, we can come up with something that we can all agree with, the President can sign and get on to our other business. But thank you very much for appearing here this afternoon.

Mr. HOYER. Thank you.

Mr. HERGER. Mr. Porter Goss—Florida. Good to have you with us.

#### **STATEMENT OF HON. PORTER J. GOSS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA**

Mr. GOSS. Thank you, Mr. Chairman. You have identified me properly; I appreciate it.

Mr. HERGER. From the all-important Rules Committee.

Mr. GOSS. Well, the reason I am here today, Mr. Chairman, is to appear before the very all-important Budget Committee, and I thank you for the opportunity. I have a statement I would like to have included in the record, if it is agreeable.

Mr. HERGER. It is agreeable.

Mr. GOSS. Thank you very much. I will abbreviate my comments, because I know a vote is forthcoming.

What I have done basically is what I have done in the past. I have created a series of spending cuts that are discretionary and specific. And the list I have compiled over 5 years would involve about \$300 billion worth of savings. This, of course, is not enough, but these are areas that are, in my view, either out of date, off-target, unnecessary, not doing the job they were intended for, not yielding what I guess I could say a good, "I will look you right in the eye, Mr. Taxpayer, and say we are spending your money well test." It would fail that test.

Consequently, this is a follow-on to previous lists that we have pulled together, and I am happy to say that we will provide for the committee from those previous lists some of the items that the committee has acted on that we are very pleased about, some that are in process, and some that we hope the committee will continue to consider as we go forward. I think that weeding the garden is something that is a perennial chore. You always have to do it. It never goes away. This goes into what I would call major weeding of the garden, as we have done in the past, and even though we have pulled a lot of weeds, I still think we have more major weeding to do. And when we get to the point where we only have to do

maintenance weeding, I think that we will have really accomplished something, but we are not there by any means.

We have created nine separate categories we think we ought to look to get this \$300 billion over 5 years, and I admit that my selections are my selections. They would not be everybody's; others would have a different view. Some would feel that other programs that the government does are less useful than some of the programs on this list, and I invite them to come forward and share them with you also. Some would say that some of the programs I have picked are really very important to them or their constituencies, and I would expect them to defend them, as has been the case in the past with several of these.

But I do feel that there is legitimate debate on every one of these, and each one should be examined and stand on its own two feet. The list is not something that I have created out of whole cloth. It comes from several other organizations, staff, committee hearings, citizens' groups, and interested think tanks. We have a book which we are submitting to you for the justification of each project we have put out with the amount of money that would be in saving and what the source and justification for each cut would be, so there would be no mystery about where it came from or what work has been done on it.

The final point I would make before relating to you the nine categories is that prior to spending, we should probably get in the habit of asking at least three questions, probably more. But the three I would ask are: is it a Federal responsibility? Quite often, the government has gotten into things that private enterprise can do better. Is this something government has to do is the first question. The second question is can we really afford this relative to our other priorities? And the third question is, is our money being spent well? Does what we are doing work? And I think if you ask those questions and measure those standards you will see that we have a pretty good list. Because in our view, the answers to those questions qualify these particular programs to be on the list in most cases, and not every Member would agree with that.

The second point I would like to bring to the committee's attention is that I chair on the Rules Committee a subcommittee on budget process, the Legislative and Budget Process Subcommittee, and we, in fact, have been doing a great deal of work on budget process and have had testimony from your committee, which we welcome. We will be continuing these hearings and continuing to overhaul the budget process. I am happy to report to you that a line-item veto conference agreement has been signed. I would expect that it would move next week. I am very pleased about that and I am sure you are too. Lockbox, on the other hand, is still stalled, and there are many other individual items in the budget process that are still out there sort of circling around which we are going to see if we can find a safe landing place for. I think they would be helpful, and I think it is important that you know that we wish to do everything we can to assist you and your committee in your efforts.

The nine areas—I will just read them very briefly—that we have selected as the nine-step program are the following: The first we call "leading by example," and that calls for some reduction of ex-

penditures that we have in the legislative branch, including executive office reduction and franking allocation reductions. They are hardly new ideas, but I think they are ideas that continue to have a requirement for further attention. The second area is "free-market agricultural reform." We have just gone through the farm bill; we know we have discussed many of those. I think that the peanut subsidy and some of the other subsidy programs that we have are areas that escaped this time that probably should be looked at further.

The third area is "government for the people, not the bureaucrats." And this got somewhat into the area that the previous witness was discussing. I take a somewhat different view of it. In part, I believe that we could be eliminating certain areas of the bureaucracy. Certainly, repealing the Davis-Bacon Act is something that comes to mind as well as continuing the partial civilian hiring freeze at DOD. I know from work I have just done on the Aspen-Brown Commission that this would seem to me a wise step to consider. The next area is "privatizing and downsizing government." We have a number of ways to deal with that. We have talked about private-sector investment in the Space Shuttle, for instance, and eliminating the Economic Development Administration. The next category is foreign assistance. That is an area that many taxpayers feel we are still being too generous in, and we have some recommendations in that area for reductions. Attacking corporate welfare is an area that we are quite often accused of ignoring in our party. I believe I have some good recommendations there such as eliminating the Market Promotion Program and eliminating essential air services subsidies. These are the kinds of things that I think we should be reviewing. Furthermore, prioritizing our social spending is an area we are all talking about in a number of ways these days. These efforts could include consolidating administrative costs of AFDC, Food Stamps, and so forth.

These nine steps, these nine general, broad categories—bunch these things into convenient areas, which makes it easier to digest than just a big, long list of projects. I appreciate the committee's attention and for this opportunity, and I would be happy to respond to any questions.

[The prepared statement of Mr. Goss follows:]

PREPARED STATEMENT OF HON. PORTER J. GOSS, A REPRESENTATIVE IN CONGRESS  
FROM THE STATE OF FLORIDA

Mr. Chairman, I appreciate the opportunity to speak before the committee today. Simply put, I would like to present your committee with a list of specific spending cut suggestions that could save the American taxpayer \$300 billion over 5 years, and outline where we stand on budget process reform.

SPENDING CUTS

The first step to recovery for an addict is to admit to the problem. As the national debt passes \$5 trillion, crowding out private investment, it is time the Federal Government recognizes and treats its addiction to deficit spending.

The 104th Congress has taken on this challenge with an aggressive balanced budget plan to eliminate our deficit in 7 years. The chairman should be commended for being a courageous leader in that effort. For the past 3 years, I have offered lists of spending cuts in discretionary programs. While many of these suggestions were contained in that plan, and some have even become law, hundreds of billions of dollars of wasteful and excessive government spending remain and should be eliminated.

The following is a list of specific, discretionary spending cuts that, if signed into law, could achieve more than \$300 billion in savings over 5 years. The cuts provided fall into nine general categories—a nine-step program to fiscal responsibility. These cuts demonstrate the waste that exists in nearly all areas of Federal spending, from social programs to corporate welfare to congressional and governmental operations.

Mr. Chairman, the budget released this week by the Clinton administration underscores the need to get serious about cutting spending now. As the chairman has pointed out publicly, the latest effort by the administration is long on election year rhetoric and short on details. Even Senator Kerrey, chairman of the Democratic Senatorial Campaign Committee, has criticized it, pointing out that there is no way that we will be able to cut \$90 billion in discretionary spending in the year 2002. The American people did not send us here to trim a little here and there, saving the hard choices for future Congresses and administrations. They want and deserve fundamental reform of the way we spend their money and a return to fiscal responsibility now.

These cuts were compiled with the assistance of a number of taxpayer advocacy groups, including Citizens Against Government Waste, the Heritage Foundation and the "Green Scissors" campaign. The list is certainly not exhaustive—nor is it non-controversial. Still, it is imperative that we begin to frame the debate in terms of our priorities and eliminate those programs, agencies, and initiatives that fail these three simple tests: Is this a Federal responsibility? Does it work? And can we afford it?

#### BUDGET PROCESS REFORM

As chairman of the Rules Subcommittee on Legislative and Budget Process Reform, I intend to continue to examine several areas of potential reform. I have discussed the need to rein in our Federal spending but I think we need to complement that effort by changing those aspects of our budget process that have made it so easy to spend ourselves into our \$5-trillion debt.

I am pleased to report that one such reform, the line-item veto, is within striking distance of becoming the law of the land. The conferees have come to an agreement and the conference report has been filed. Soon, the President will be able to root out billions of dollars of pork that finds its way into must-pass bills. It is an important reform and it is long overdue. Of course, there have been some disappointments. The "lock-box" provision, which seeks to lock in savings from amendments to appropriations bills, seems to have died in the Senate. Nevertheless, I remain hopeful that this commonsense reform will eventually become law and we will be able to ensure that savings from cutting amendments are actually realized by the American taxpayer.

Mr. Chairman, I would like to close by once again applauding your determined efforts to get this country's fiscal house back in order. The demagogues and the fear-mongers were wrong—we can balance the budget without bringing the world to an end. While we have just begun, I am encouraged by how far we have come in just one year. I hope that these spending cuts suggestions may offer the committee additional areas to reduce spending and achieve overdue fiscal reform.

#### A NINE-STEP PROGRAM FOR FISCAL RESPONSIBILITY

[All savings are over a 5-year period, calculated in millions of dollars, and based on best official estimates]

| Savings  | Description   |
|--|---|
| <b>LEADING BY EXAMPLE: CONGRESSIONAL AND EXECUTIVE BRANCH REFORM</b> |   |
| 2,200  | Reduce the Legislative Branch Appropriation by 20 percent   |
| 284  | Reduce the Executive Office of the President Appropriation by 20 percent  |
| 85   | Reduce the "franking" allocation to Members of Congress by 50 percent   |
| 118  | Roll back the Congressional Pay Raise to \$89,500   |
| 2.5  | Reduce the Attending Physician's Office by 33 percent   |
| 1.1  | Privatize the House and Senate Gymnasiums   |
| <b>FREE MARKET AGRICULTURAL REFORM</b>                               |   |
| 12,700   | Abolish the Cotton Price Support and Loan Programs  |
| 11,000   | Lower target prices for subsidized crops 3 percent annually   |
| 5,000  | Eliminate the Dairy Subsidy Program   |
| 3,950  | Merge the Agricultural Research Service, the Cooperative Research Service and the Agricultural Extension Service; cut funding by 50 percent |
| 1,660  | End the Federal Crop Insurance Program and replace with standing authority for disaster assistance  |
| 660  | Reduce Commodity Credit Corporation Subsidies to those with off-farm incomes over \$100,000   |

## A NINE-STEP PROGRAM FOR FISCAL RESPONSIBILITY—Continued

[All savings are over a 5-year period, calculated in millions of dollars, and based on best official estimates]

| Savings | Description   |
|---------|---|
| 200     | End the Peanut Subsidy Program  |
| 100     | Eliminate the Tobacco Price Support Program   |
|         | GOVERNMENT FOR THE PEOPLE, NOT THE BUREAUCRATS  |
| 64,000  | Lower by 10 percent per annum the projected growth rate of nonpostal, civilian agencies overhead (excluding travel)                   |
| 14,740  | Eliminate DOD payments for indirect Research & Development; substitute direct R&D   |
| 8,850   | Continue the partial civilian hiring freeze at DOD  |
| 6,000   | Defense Acquisition Reform  |
| 3,080   | Repeal the Davis-Bacon Act  |
| 2,550   | Reduce DOE energy technology spending   |
| 1,900   | Fully implement H.R. 2452 (102d) to provide additional conservation measures for Federal agencies                                     |
| 1,500   | Strengthen and restructure NASA (NPR proposal)  |
| 1,000   | Reduce overhead in federally sponsored university research  |
| 900     | Service Contract Act reform   |
| 858     | Lower the travel budgets of all nonpostal civilian agencies by 15 percent   |
| 540     | Reform vacation and overtime for the Senior Executive Service   |
|         | PRIVATIZING AND DOWNSIZING GOVERNMENT   |
| 9,000   | Corporatize the Air Traffic Control System  |
| 4,170   | Facilitate contracting out and privatization of military commissaries   |
| 2,000   | Privatize the Government National Mortgage Association  |
| 1,900   | Eliminate the Legal Services Corporation  |
| 1,522   | Allow private sector investment in the space shuttle  |
| 1,140   | Eliminate the Economic Development Administration   |
| 913     | Eliminate Rural Economic and Community Development (RCED) duplication with the Small Business Administration                          |
| 690     | Eliminate the Appalachian Regional Commission   |
| 580     | End funding for all nonenergy Tennessee Valley Authority (TVA) activities   |
| 174     | Eliminate the Rural Utilities Service (formerly the Rural Electric Administration)  |
| 140     | Close the Bureau of Mines and merge its data gathering activities with other Interior research agencies                               |
| 56      | Eliminate the Arms Control Disarmament Agency   |
| 10      | Phase out the U.S. Fire Administration  |
|         | FOREIGN ASSISTANCE THAT PUTS AMERICAN TAXPAYERS FIRST   |
| 13,125  | Cut the foreign aid budget (150 Account) by 15 percent and make all earmarks in that account subject to a two-thirds vote for passage |
| 8,100   | Eliminate the Agency for International Development  |
| 1,510   | Eliminate Public Law 480 International Assistance Program   |
| 150     | Phase out the Foreign Agricultural Service Cooperation Funding  |
|         | ATTACKING CORPORATE WELFARE   |
| 3,388   | Eliminate Export Enhancement Program  |
| 3,372   | Sell the Power Marketing Administrations  |
| 2,660   | Phase out subsidies for AMTRAK  |
| 2,000   | End postal subsidies to not-for-profit organizations (excluding blind and handicapped individuals)                                    |
| 1,002   | Eliminate Travel, Tourism and Export Promotion Administration (as a taxpayer supported entity)  |
| 592     | Sell the National Helium Reserves   |
| 660     | Phase out ACTION (umbrella organization for domestic volunteer activities) as a tax-supported program                                 |
| 530     | Eliminate the Market Promotion Program  |
| 195     | Eliminate Essential Air Service subsidies   |
| 121     | Terminate Dairy Export Incentive Program  |
|         | PRIORITIZING OUR SOCIAL SPENDING  |
| 27,000  | Prohibit direct Federal benefits and unemployment benefits to illegal aliens  |
| 6,300   | Consolidate the administrative costs of the AFDC, Food Stamps, and Medicaid programs  |
| 5,700   | Freeze the number of rental assistance commitments  |
| 5,400   | Increase Medicare safeguard funding by \$540 million over 5 years   |
| 4,900   | Reduce NIH funding by 10 percent, concentrating on overhead   |
| 3,850   | Eliminate "impact aid" to school districts with military bases  |
| 3,400   | Eliminate nontargeted vocational State funding  |
| 3,060   | Eliminate AmeriCorps  |
| 2,930   | Eliminate the William D. Ford program (direct student lending)  |
| 2,600   | Cut the National Endowment for Arts by 50 percent   |

## A NINE-STEP PROGRAM FOR FISCAL RESPONSIBILITY—Continued

[All savings are over a 5-year period, calculated in millions of dollars, and based on best official estimates]

| Savings | Description   |
|---------|---|
| 2,060   | Eliminate the Goals 2000 program  |
| 1,400   | Scale back Rural Rental Housing Assistance program                                  |
| 1,400   | Eliminate Office of the Surgeon General   |
| 1,000   | Consolidate social services programs  |
| 990     | Eliminate HUD special-purpose grants  |
| 883     | Cut funding for the Corporation for Public Broadcasting by 50 percent               |
| 610     | Replace new public housing construction with vouchers                               |
| 144     | Streamline HUD  |
|         | ENDING TAXPAYER SUBSIDIES THAT DEGRADE OUR ENVIRONMENT                              |
| 7,400   | End all new Bureau of Water Reclamation water projects                              |
| 2,200   | End Irrigation Subsidies  |
| 1,100   | Privatize the U.S. Enrichment Corporation   |
| 1,000   | Reduce the fill rate for the Strategic Petroleum Reserve                            |
| 1,000   | 1872 Mining Law Reform  |
| 880     | End the "Corridor H" program  |
| 912     | Eliminate the Clean Coal Program  |
| 250     | Grazing Reform  |
| 235     | Eliminate below-cost timber sales from national forests                             |
| 80      | End the Boll Weevil Eradication Program   |
|         | CUTTING OUT THE PORK  |
| 8,850   | Limit Federal highway spending to the amount brought in by motor vehicle fuel taxes |
| 6,250   | Reduce mass transit grants; eliminate operating subsidies                           |
| 5,150   | Scale back Low Income Home Energy Assistance Grants                                 |
| 2,590   | Terminate all highway demonstration projects  |
| 1,380   | Eliminate Rural Development Association loans and guarantees                        |
| 250     | Eliminate redundant polar satellite programs  |
| 0.3     | Close underutilized black lung offices  |

Mr. HERGER. Thank you very much, Mr. Goss, and I appreciate your testimony and the effort that you have been giving both with your testimony and your diligent work on the Rules Committee to help bring about a balanced budget.

Thank you.

Mr. GOSS. There is that, too.

Thank you, Mr. Chairman.

Mr. HERGER. This committee will stand in recess until the arrival of the next witness.

[Recess.]

Mr. HERGER. The Budget Committee will reconvene, and we will receive now testimony from Mr. John Ensign.

**STATEMENT OF HON. JOHN E. ENSIGN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEVADA**

Mr. ENSIGN. Thank you, Mr. Chairman.

I appreciate the opportunity to appear before this committee to discuss ways to balance the budget. I, along with many Members of the 1994 freshman class, came to Congress based on promises to cut wasteful Federal spending and balance the budget. The 104th Congress has made great progress in cutting the Federal deficit, and I believe that Mr. Kasich, along with the rest of the committee, deserves a great amount of credit for the headway that has been made so far. A wave swept the country on November 8, 1994, and it is time that we take serious actions to live up to the budget-cutting promises that we made.

There is a certain Department of Energy project located in the State of Nevada that, if eliminated, could significantly contribute to our efforts to decrease Federal spending. This project is known as Yucca Mountain. In 1987, Yucca Mountain, located at the Nevada Test Site, was legislatively designated as the sole permanent repository for high-level nuclear waste. This was a decision that was made ignoring the wishes of the people of the State of Nevada, absent of scientific basis and neglecting the economic implications. To date, the project has managed to suck over \$4 billion of rate-payer money, and it has not even been determined to be a suitable site. Estimates now run as high as \$30 billion for completion of the project.

Mr. Chairman, there simply will not be enough money in the Nuclear Waste Trust Fund to finish the project. The Yucca Mountain project will become the burden of all American taxpayers and an added strain on our already-tight fiscal budget. Mr. Chairman, it is ludicrous that this body would ever even consider this kind of spending in light of our current financial situation. Furthermore, technology known as dry cask storage has been developed that would enable the Department of Energy to store this waste onsite at existing reactors. Dry cask storage is already occurring at various reactors around the country. It can be done in a less-expensive manner and without the safety hazards associated with underground geological storage or transportation.

Most importantly, Mr. Chairman, this committee has already recognized the irresponsibility of pursuing the Yucca Mountain project. In the 1996 budget resolution, due to the committee's belief that the DOE had mismanaged the Yucca Mountain project and the program was no longer viable, this committee zeroed out funding for the project and recommended that a temporary nuclear waste facility be constructed at an existing DOE facility. Despite the committee's actions of last year, the President again has requested funds for this project: \$200 million has been requested to be appropriated from the Nuclear Waste Trust Fund for the purposes of carrying out the activities of the Nuclear Waste Policy Act of 1982. I urge the committee to maintain its previous accountability and zero out funding for this irresponsible project again this year.

Furthermore, the Nuclear Waste Technical Review Board recently delivered to Congress its report entitled Disposal and Storage of Spent Nuclear Fuel: Finding the Right Balance. For the first time since the nuclear waste disposal debate began, this report interjects sound, reliable, researched science into an argument that has been purely political for too long. In its report, the board suggests that there is no compelling reason, neither safety nor technical, to move spent fuel to a centralized facility immediately.

And finally, Mr. Chairman, I would like to remind the committee of legislation pending before the House that would authorize the construction of a rail spur, estimated to cost in excess of \$1 billion, to transport the waste to the Nevada Test Site. This committee has played an integral role in preventing this budget-busting legislation from coming to the floor, and I urge the committee to maintain its position and continue to oppose this initiative.

Thank you, Mr. Chairman and members of the committee. I commend you for your arduous and relentless efforts to balance the Federal budget. You have made great strides in the last 16 months, and I look forward to working with you as we all attempt to eliminate needless and wasteful spending. The budget decisions we make now will affect generations to come.

[The prepared statement of Mr. Ensign follows:]

PREPARED STATEMENT OF HON. JOHN E. ENSIGN, A REPRESENTATIVE IN CONGRESS  
FROM THE STATE OF NEVADA

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Mr. HERGER. Thank you, Mr. Ensign.

I know this issue is of great importance to you and to those you represent in the State of Nevada, and I thank you for appearing before us today.

Mr. ENSIGN. Thank you.

Mr. HERGER. The Budget Committee will stand in recess.

[Recess.]

Mr. NUSSLE [presiding]. This is a continuation of the hearing that we are holding today to solicit good ideas from our colleagues.

I know that the gentleman about to speak holds probably as many if not more town meetings than I do to listen to his constituents, and I know that from those meetings come exciting ideas and opportunities, and your credentials, I say to my good friend from my neighboring State, are impeccable on reducing the deficit and cutting out waste, and I am excited to have an opportunity to listen to your testimony today, and so, we will let you begin.

#### **STATEMENT OF HON. JON CHRISTENSEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEBRASKA**

Mr. CHRISTENSEN. Mr. Chairman, I want to thank you for presiding over this hearing today.

What I am going to be talking about is a very important issue that affects the lives of thousands of young children across this country—the children of our military families. Specifically, I am here to talk about a program that I believe a number of Congresspeople here have a great interest in—our Impact Aid program. I'm a strong supporter of Impact Aid, and I believe its continuance should be a top priority of this committee as we go about the task of balancing the Federal budget. If the Impact Aid program is not adequately funded Congress will not only be placing a massive unfunded mandate on our States and local school districts, it will literally turn its back on the members of our military and the 1.8 million school children who depend on Impact Aid.

Impact Aid became law in 1950 because Congress recognized that Federal activities had an adverse effect on the ability of local school districts to raise revenue due to Federal ownership of land, such as military installations and tribal lands. As you know, public schools in this country are generally financed by a combination of State and local property taxes. When the Federal Government takes up residence in a community, unlike its private sector neighbors, it does not pay State or local taxes of any kind, knocking the community's tax base off kilter. Although military personnel are still subject to State tax, under the Soldiers and Sailors Relief Act passed in 1943, local and State agencies are restricted in taxing the personal property and income of those in the Armed Services who pay taxes in another State. The rationale is simple: you cannot keep moving these people all over the world and expect them to pay taxes, get license plates, and deal with the local government in the same way as those who do not move around with such regularity.

The Federal Government moves our military personnel around the country and abroad and provides them with housing and other essentials for living. As a result, the Federal Government must

deal with the consequences of the revenue lost to the communities where the military is present.

Mr. Chairman, Impact Aid is built on the premise of a shared responsibility between Federal, State, and local governments. It is simply not true that Impact Aid is an entitlement program, nor is it wasteful government spending, as the program's critics have sometimes charged. It is impossible to reconcile the idea of slashing Impact Aid with the way we tax Federal installations and reservations. Impact Aid is nothing more than the Federal Government's commitment to pay back to the community the funds that it has removed by virtue of the fact that there is a military presence there.

For instance, the Bellevue community in my district is home to Offutt Air Force Base and the United States Strategic Command. Because of the policies contained in the Soldiers' and Sailors' Relief Act, the Bellevue Public Schools lose over \$3 million each year in vehicle taxes alone. Add in the massive loss of property taxes and the sales tax and there is little local funding going to the Bellevue schools. This is why Impact Aid must be continued. Nebraska already has extraordinarily high property taxes. Thus, simply raising property taxes on non-Federal property to make up for the lost revenue is out of the question.

Bellevue is the fourth-largest school district in the State of Nebraska, yet has the lowest assessed valuation of the seven largest school districts. Bellevue also has the smallest assessed valuation per pupil and can raise the least taxes from a tax rate of \$1 per \$100 valuation. That is because with just over half of Bellevue public schools' enrollment consisting of federally connected students, Bellevue is one of the Nation's most heavily impacted school districts. Heavily impacted districts like Bellevue just do not have any options if the Federal Government refuses to shoulder its share of the responsibility. Without Impact Aid, we simply do not have the funds to give our children a decent education.

When Impact Aid was first signed into law back in 1950, the atmosphere surrounding the program was significantly different than today. As you may recall, H.R. 6 passed during the 103d Congress, reauthorizing the elementary and secondary education programs, including Impact Aid. Title VIII of the bill included major changes which tackled many of the concerns that have plagued the program over recent years. I believe these changes allowed Impact Aid funds to be distributed to those who are truly impacted and in need of funding. One of the main goals of reauthorization was to streamline the funding formula to better address the true needs of a federally impacted school district. The new formula will reflect a school district's level of impact as well as its dependence on Impact Aid. In essence, a district having a greater need will see an increase in its Impact Aid payment, while a district with less of a need will see a decrease. Therefore, Congress has already addressed the need to restructure the program without eliminating the funding to those school districts that truly need funding in order to provide a basic education to their children.

The House and the President's 1996 budget reduced Impact Aid funding by 15 percent and eliminated all Impact Aid payments except for those children who live on Indian lands or are children of

members of the uniformed service living on Federal property. Mr. Chairman, I believe that Impact Aid funding is needed to assist the schools in educating all military children regardless of whether or not they live on Federal property. Children categorized as military "b's" are children who are dependents of military personnel who live in off-base housing or are children of nonmilitary civil service workers whose income is generated by the military base in the district. While property taxes may be being paid to the local community on the off-base home, the military member is still exempt from other local taxes such as vehicle and sales, and the district does not receive taxes on the business, the business personal property, and the personal property. I realize that in this era of downsizing the Federal Government the need to fund the military "b" children may be confusing to some. However, the number of military "b" students across the United States is increasing because of the downsizing that is occurring overseas, the base closures and the realignments, and the lack of adequate and sufficient base housing availability.

This is why it is so important to fund all categories of Impact Aid. After tireless efforts of those who strongly support Impact Aid, it appears that it will be funded for fiscal year 1996 at 100 percent of the total fiscal year 1995 funding.

Mr. Chairman, we all recognize the special challenges faced by the children of our military families. We know that those who have chosen to serve in the Armed Services have chosen to defend our great country and to put their lives on the line for us. Every Member of Congress has vowed to uphold the U.S. military as the finest fighting force in the world. Yet all too often we forget that this fighting force is made up of men and women who sacrifice profitable careers in the private sector to fight for the United States of America and the ideals upon which it was founded. Think for just a second about their children, about what life must be like for them as a group. Imagine being 8 years old and wondering why mom or dad cannot attend school functions because they have been deployed to a place called Bosnia. Imagine being a 10-year-old and not seeing your father for 6 to 12 months because he is serving our Nation in another country, or being a 12-year-old boy wondering why mom or dad can seldom come to your little league games.

While they all can be proud of their parents for sacrificing their lives in order to preserve the ideals that make this Nation great, they know that realistically their mom or dad may never return home from duty. It does not take much imagination to realize the sacrifices of our military children. While we cannot replace the time spent away from one's parents, we can assure them that their children will receive a quality education.

No one in this room supports the downsizing of the Federal Government and cutting wasteful spending more than me. I remain strongly committed to putting an end to the tax-and-spend policies of the past, but I am also strongly committed to making the right cuts—where true spending cuts are needed. The Impact Aid program, because of its strong reliance on local control, is one of the most efficient programs the Federal Government administers. Virtually every dollar appropriated goes directly to the over 2,000 local educational agencies eligible for funding. Impact Aid remains the only—and I repeat the only—Federal program equipped to reim-

burse school districts for the loss of local revenue due to a Federal presence. Eliminating this program would push the financial responsibility onto the States' shoulders—forcing them to increase State taxes. State and local officials correctly view the reduction or elimination of Impact Aid funding as an unfunded mandate. Creating such a mandate would be inconsistent with congressional leaders' intentions and hypocritical for every Representative who voted in favor of the unfunded mandates legislation.

The program has proved itself and serves its purpose. That is why Impact Aid should be a top priority of this committee.

In closing, Mr. Chairman, I want to thank you and my colleagues on this committee for allowing me the opportunity to testify about Impact Aid and its importance to our military families. I believe that as we begin the budget process over the next few months that this committee will support the Impact Aid program, and I believe we will continue to do the right thing for our military children.

Mr. Chairman, thank you very much, and I would be glad to entertain any questions you might have at this time.

[The prepared statement of Mr. Christensen follows:]

PREPARED STATEMENT OF HON. JON CHRISTENSEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEBRASKA

Mr. Chairman, I want to thank you and the other members of the committee for this opportunity to testify today regarding a program which is vital to the education of our Nation's children: Impact Aid.

I am a strong supporter of Impact Aid and believe its continuance should be a top priority of this committee as we go about the task of balancing the Federal budget. If the Impact Aid program is not adequately funded Congress will not only place a massive unfunded mandate on our States and local school districts, it will literally turn its back on the members of our military and the 1.8 million school children who depend on Impact Aid.

Impact Aid became law in 1950 because Congress recognized that Federal activities had an adverse effect on the ability of local school districts to raise revenue due to Federal ownership of land, such as military installations and tribal lands. As you know, public schools in this country are generally financed by a combination of State and local property taxes. When the Federal Government takes up residence in a community, unlike its private sector neighbors, it does not pay State or local taxes of any kind, knocking the community's tax base off kilter. Although military personnel are still subject to State tax, under the Soldiers and Sailors Relief Act passed in 1943, local and State agencies are restricted in taxing the personal property and income of those in the Armed Services who pay taxes in another State. The rationale is simple: you cannot keep moving these people all over the world and expect them to pay taxes, get license plates, and deal with the local government in the same way as those who do not move around with such regularity. The Federal Government moves our military personnel around the country and abroad and provides them with housing and other essentials for living—as a result the Federal Government must deal with the consequences of the revenue lost to the communities where the military is present.

Mr. Chairman, Impact Aid is built on the premise of a shared responsibility between Federal, State and local governments. It is simply not true that Impact Aid is an entitlement program, nor is it wasteful government spending as the program's critics have sometimes charged. It is impossible to reconcile the idea of slashing Impact Aid with the way we tax Federal installations and reservations. Impact Aid is nothing more than the Federal Government's commitment to pay back to a community the funds it has removed by virtue of the fact that there is a military presence.

For instance, the Bellevue community in my district is home to Offutt Air Force Base and the United States Strategic Command. Because of the policies contained in the Soldiers and Sailors Relief Act, the Bellevue public schools lose over \$3 million each year in vehicle taxes alone. Add in the massive loss of property tax and sales tax and there is little local funding going to the Bellevue schools. This is why Impact Aid must be continued.

Nebraska already has extraordinarily high property taxes. Thus, simply raising property taxes on nonfederal property to make up for the lost revenue is out of the question. Bellevue is the fourth largest school district in the State of Nebraska, yet has the lowest assessed valuation of the seven largest school districts. Bellevue also has the smallest assessed valuation per pupil and can raise the least taxes from a tax rate of \$1 per \$100 of valuation. That is because with just over half of Bellevue public schools' enrollment consisting of federally connected students, Bellevue is one of the Nation's most heavily federally impacted school districts. Heavily impacted districts like Bellevue just don't have any options if the Federal Government refuses to shoulder its share of the responsibility. Without Impact Aid, we simply do not have the funds to give our children a decent education.

When Impact Aid was first signed into law back in 1950, the atmosphere surrounding the program was significantly different than today. As you may recall, H.R. 6 passed during the 103d Congress, reauthorizing the elementary and secondary education programs, including Impact Aid. Title VIII of the bill included major changes which tackled many of the concerns that have plagued the program over recent years. I believe these changes allowed Impact Aid funds to be distributed to those who are truly impacted and in need of funding. One of the main goals of the reauthorization was to streamline the funding formula to better address the true needs of a federally impacted school district. The new formula will reflect a school district's level of impact as well as its dependence on Impact Aid. In essence, a district having a greater need will see an increase in its Impact Aid payment while a district with less of a need will see a decrease. Therefore, Congress has already addressed the need to restructure the program without eliminating the funding to those school districts that truly need funding in order to provide a basic education to their students.

The House and the President's 1996 Budget reduced Impact Aid funding by 15 percent and eliminated all Impact Aid payments except for those children who live on Indian lands or are children of members of the uniformed service living on Federal property. Mr. Chairman, Impact Aid funding is needed to assist the schools in educating all military children regardless of whether or not they live on Federal property. Children categorized as military "b's" are children who are dependents of military personnel who live in off-base housing or are children of nonmilitary civil service workers whose income is generated by the military base in the district. While property taxes may be being paid to the local community on the off-base home, the military member is still exempt from other local taxes, such as vehicle and sales, and the district does not receive taxes on the business, business personal property, and personal property. I realize that in this era of downsizing the Federal Government the need to fund the military "b" children may be confusing to some. However, the number of military "b" students across the United States is increasing because of the downsizing that is occurring overseas, the base closures and realignments, and the lack of adequate and sufficient base housing available. This is why it is so important to fund all categories of Impact Aid. After tireless efforts of those who strongly support Impact Aid it appears that it will be funded for fiscal year 1996 at 100 percent of the total fiscal year 1995 funding.

Mr. Chairman, we all recognize the special challenges faced by the children of our military families. We know that those who have chosen to serve in the Armed Services have chosen to defend our great country and put their lives on the line for us. Every Member of Congress has vowed to uphold the U.S. military as the finest fighting force in the world. Yet all too often we forget that this fighting force is made up of men and women who sacrifice profitable careers in the private sector to fight for the United States of America and the ideals upon which it was founded. Think for just a second about their children, about what life must be like for them as a group. Imagine being 8 years old and wondering why mom or dad cannot attend school functions because she has been deployed to a place called Bosnia. Imagine being 10 years old and not seeing your father for 6 to 12 months because he is serving our Nation in another country, or being a 12-year-old boy wondering why mom or dad can seldom come to your little league games. While they can all be proud of their parents for sacrificing their lives in order to preserve the ideals that make this Nation great, they know that realistically their mom or dad may never return home from duty. Mr. Chairman, it does not take much imagination to realize the sacrifices of our military children. While we cannot replace the time spent away from one's parents, we can ensure them that their children will receive a quality education.

No one in this room supports downsizing the Federal Government and cutting wasteful spending more than me. I remain strongly committed to putting an end to the tax-and-spend policies of the past, but I am also strongly committed to making the right cuts—where true spending cuts are needed. The Impact Aid program,

because of its strong reliance on local control, is one of the most efficient programs the Federal Government administers. Virtually every dollar appropriated goes directly to the over 2000 local educational agencies eligible for funding. Impact Aid remains the only Federal program equipped to reimburse school districts for the loss of local revenue due to a Federal presence. Eliminating this program would push the financial responsibility onto the State's shoulders—forcing them to increase State taxes. State and local officials correctly view the reduction or elimination of Impact Aid funding as an unfunded mandate. Creating such a mandate would be inconsistent with congressional leaders' intentions and hypocritical for every Representative who voted in favor of the unfunded mandates legislation. The program has proved itself and serves its purpose. That is why Impact Aid should be a top priority of this committee.

In closing, I want to again thank you, Mr. Chairman, and my colleagues on the committee for this opportunity to testify before you today and reiterate the fact that the Impact Aid program should be a top priority for this committee. Our military children are the unheralded partners and unsung heroes in our fight for a strong national defense. I firmly believe that our priority, indeed obligation, must be to provide our military children with a quality education. We need to cut out the programs that no longer work or are no longer needed, but leave intact those that are cost-efficient and truly serve their purpose. Impact Aid is such a program.

Mr. NUSSLE. Well, I thank the gentleman from Nebraska for his fine testimony. He is certainly one of the leaders in the Congress on this issue, and we have spoken about this issue before, and I appreciate the good testimony that you have given us today. We will certainly keep your thoughts and your concerns in mind as we go through this process, and we look forward to your continued advocacy on this issue.

Mr. CHRISTENSEN. Well, thank you, Mr. Chairman, and good luck with this year's budget. Let us see if we cannot get the President maybe this year to give us a balanced budget act which we will not hold our breath for, but we can always hope.

Thank you, Mr. Chairman.

Mr. NUSSLE. I appreciate your testimony. Thank you very much.

The next witness we will be hearing from today is the gentleman from Massachusetts, Mr. Torkildsen.

We appreciate your attendance today. If you have a statement, without objection, it will be entered in the record. You are free to summarize and proceed as you would like.

#### **STATEMENT OF HON. PETER G. TORKILDSEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS**

Mr. TORKILDSEN. Thank you, Mr. Chairman.

I will be glad to summarize, because I know that many of us would like to return home to our districts now that the final vote is cast for the day. Also, I do not want to delay any more than necessary our friend and hero Sam Johnson. He is a great American, and I know we are all looking forward to hearing what he has to say as well.

I want to thank you, Mr. Chairman, and the entire Budget Committee for the leadership that you have shown in leading us toward a balanced budget and also for allowing me to testify. Crafting our Nation's budget is more than just about dollars and sense; it is about our vision for America and our thoughts on the role of government. While all budget decisions have to be made in the context of eliminating the deficit, we cannot forsake our core responsibilities while doing so. Instead, the challenge before us is how do we balance the budget in no more than 7 years while fulfilling those responsibilities the Constitution requires?

Compassion and fiscally conservative policies are not mutually exclusive. If we fail to balance the budget, the result will be the least compassionate of all options, as entire programs benefitting children, the poor, the elderly, and many others would cease to exist when debt service exceeded spending on so-called discretionary spending programs and eventually exceeded spending on mandatory spending programs as well. By acting now, even though it will require some difficult decisions, we will prevent forcing much more drastic decisions later. Yet I do not want to leave the committee with the impression that we can only focus on cuts. We do have to maintain certain priorities as well.

There are some programs which I believe have been successful and should continue to receive funding. They include the WIC program, which was continued both in the budget and compromise welfare reform bill last year and Title I education funding to offer a level playing field in primary and secondary education. Education is our Nation's great equalizer. Education is the cornerstone of the opportunity society many of us seek to encourage.

Also important is funding for environmental programs. We all seek a clean environment, yet we cannot have a clean environment without funding to clean up past pollution. I would especially urge funding this year for water and sewer improvements and safe drinking water. Funding for the environment does not have to come exclusively from general taxpayer revenue. For fairness, as well as to promote conservation, we should establish fair market value fees for grazing on public lands, hard rock mining, and timber sales. These changes would be victories for both the taxpayer and the environment.

In my home State of Massachusetts, Gov. Bill Weld has proven that a deficit can be eliminated and the budget balanced while still meeting the core responsibilities of government. But to balance the budget, we need more than just fair-market fees for dealing with environmental programs. I would like to offer a few suggestions for eliminating programs to help balance the budget: No. 1, the B-2 bomber is something that we cannot afford and do not need any more of. In fact, the Air Force already has 20 B-2 bombers, and there is no evidence that we do need any more. While the Congress and President agreed on additional funding for the B-2 last year, I would ask that no additional funds be included in this year's budget.

Second, while the House recently voted to overhaul the Nation's farm policies, billions of dollars are still being wasted on price supports and subsidies that run counter to our free market system. Government price supports are nothing more than a hidden tax on U.S. consumers. The savings from this proposal to the U.S. taxpayers would be in the billions of dollars.

Third, taxpayers continue to subsidize electrical power throughout the United States, even decades after the original legislative purpose of bringing electricity throughout the country was fulfilled. I propose eliminating the Rural Utilities Service, which used to be called the Rural Electrification Administration, the Power Marketing Administrations, and the Tennessee Valley Authority nonpower activities. The savings from eliminating these programs would be \$4.2 billion over 5 years.

In closing, Mr. Chairman, I applaud your leadership and the leadership of Chairman John Kasich in advancing our Nation as far as it has come on the need for a balanced budget. These priorities are more than just saving money and making government efficient; these priorities determine where we are headed as a nation and how we plan to get there.

I thank you and would be happy to answer any questions.

[The prepared statement of Mr. Torkildsen follows:]

PREPARED STATEMENT OF HON. PETER G. TORKILDSEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS

Mr. Chairman, I want to thank you and the entire Budget Committee for the opportunity to outline some budget priorities. With the ongoing budget standoff, I believe that most of us agree that a shutdown would not help us reach a balanced budget, and that we must work toward our priority without returning to that as an option.

Crafting our Nation's budget is not just about dollars and cents. It's about our vision of America, and our thoughts on the role of government. While all budget decisions must be made in the context of eliminating the deficit, we cannot forsake our core responsibilities while doing so. Instead, the challenge before us is how do we balance the budget, in no more than 7 years, while fulfilling those responsibilities the Constitution requires of us.

Compassion and fiscally conservative policies are not mutually exclusive. If we fail to balance the budget, the result will be the least compassionate of all options, as entire programs benefiting children, the poor, the elderly, and many others would cease to exist when debt service exceeded spending on so-called "discretionary" programs, and eventually exceeds spending on mandatory spending as well. By acting now, even though it will require some difficult decisions, we will prevent forcing much more drastic decisions later. Yet I don't want to leave the committee with the impression that we can only focus on cuts, without maintaining certain priorities.

There are some programs which I believe have been successful, and should continue to receive funding. They include the WIC program, which was continued both in the budget and the compromise welfare reform bill last year, and Title I education funding, to offer a level playing field in primary and secondary education. Education is our Nation's great equalizer. Education is the cornerstone of the opportunity society many of us seek to encourage.

On a similar issue, the AmeriCorps program is a shining example of a "win-win" situation. This program gives college-bound kids the chance to work in their communities and learn the value of public service, and, in exchange, earn a voucher to help pay tuition costs. While I know that many of my Republican colleagues did not support this program, I hope we will find continued funding for this.

Also, importantly, is funding for environmental programs. We all seek a clean environment. Yet we cannot have a clean environment without funding to clean up past pollution. I would especially urge funding this year for water and sewerage improvements, and safe drinking water. Funding for the environment doesn't have to come exclusively from general taxpayer revenue. For fairness, as well as to promote conservation, we should establish fair market value fees for grazing on public lands, hard rock mining, and timber sales. These changes would be victories for the taxpayers and victories for the environment.

In my home State of Massachusetts, Gov. Bill Weld has proven that a deficit can be eliminated and a budget balanced while still meeting the core responsibilities of government.

But to balance the budget, we need more than just fair market fees dealing with environmental programs. I would like to offer a few suggestions for eliminating programs to help balance the budget.

First the B-2 Bomber is something we cannot afford and do not need. In fact the Air Force already has 20 B-2 Bombers, and there is no evidence that we need more. While the Congress and President agreed on additional funding for the B-2 last year, I would ask that no additional funds be included for this program.

Second, while the House voted recently to overhaul the Nation's farm policies, billions of dollars are still being wasted in price supports and subsidies that run counter to our free-market system, and are not supported by the majority of Americans. I propose that we eliminate—not reduce—subsidies for sugar, peanuts, and other agricultural commodities. Government price supports are nothing more than

a hidden tax on U.S. consumers. The savings to the taxpayers would be in the billions of dollars.

Third, the taxpayers continue to subsidize electrical power throughout the United States, even decades after the original legislative purpose of bringing electricity throughout the country was fulfilled. I propose eliminating the Rural Utilities Service (formerly the Rural Electrification Administration), the Power Marketing Administrations, and the Tennessee Valley Authority nonpower activities. The savings from eliminating these programs would be \$4.2 billion over 5 years.

In closing, Mr. Chairman, I applaud your leadership in advancing our Nation as far as it has come on the need for a balanced budget. These priorities are about more than just saving money and making government efficient. These priorities determine where we're headed as a nation and how we plan to get there. Thank you.

Mr. NUSSLE. Your advocacy is well-taken, and your ideas for some changes are also well-taken. We made some steps this year, but we are going to continue, and we appreciate the ideas that you have put forth, and we will keep them in mind.

Mr. TORKILDSEN. Thank you, Mr. Chairman.

Mr. NUSSLE. Thank you.

The next witness we have the honor of hearing from is a good friend from Texas and a classmate of mine, Sam Johnson. Welcome to the committee, and you are free to summarize your testimony. Your testimony, if it is written, will be without objection submitted for the record. You are free to proceed.

**STATEMENT OF HON. SAM JOHNSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS**

Mr. JOHNSON. Thank you, sir. It has been written and submitted; I will summarize.

I just want to thank you for giving Members the opportunity to voice their concerns and recommendations. And today I think we agree that we could reduce the deficit 50 percent in 2 years and get it balanced in the next year. I would like to focus on public broadcasting and some innovative solutions that the stations in my district have undertaken to raise money on their own.

As you know, one of the primary objections to reducing funding for public broadcasting was that they did not have the money to maintain an operation. The actions that they have taken in Dallas will show a remarkable change from the rhetoric we heard last year and show that the idea of squeezing the budget has taken hold. They are now trying to figure out how to make their programs self-sufficient without any Federal funds. For example, they say ending Federal contributions would eliminate television programs, such as Sesame Street, Barney, and Shining Time station; that is just not true. Those programs have huge followings, and significant profits to sustain themselves in the private market: 14 percent of the public broadcasting total budget is provided by the Federal Government, and if we cut that off, it is not going to be the end of those programs.

There is ample evidence that those shows will survive, and public broadcasting will survive without a Federal subsidy. As an example, the station in my district proves the point. There are two stations there. They cover the Dallas metropolitan area and north Texas. One of the stations is in Dallas; one of them is in Denton. They just totally remodeled their TV station with the latest equipment, the latest technology. It was an \$8.6-million improvement. They added a new telecommunications center, a 62,000-square-foot

broadcasting center, state-of-the-art equipment and production studios, all totally financed without any Federal money—zero, zip, proving to me that they can do it by themselves if they want to.

They have also found a way to raise new money, and it is not just in Dallas. They have opened a new store, named the Store of Knowledge, which will provide public broadcasting in Dallas with a percentage of royalties from the sale of a variety of items, including games, puzzles, books, videos, audiotapes, and computer software. They are guaranteed to receive \$50,000 in Dallas alone from royalties from the Store of Knowledge in the first year, and they have already opened stores in California; they are scheduled to open in Chicago, Philadelphia, and Portland. So it tells me that public broadcasting is realizing that they no longer have an opportunity to sustain Federal funds and that they do not need them. So I think that we ought to be aware that taxpayer dollars do not make up a large portion of their budget; they can operate without it; they can find alternative ways to raise money and have. So it makes absolutely no sense to require taxpayers to foot part of the bill for shows that makes billions of dollars.

I continue to support the efforts of public television in Dallas and their success in providing shows that we all think are important and that our children think are important and will enjoy. But I believe, at a time when our country is literally bankrupt, we cannot in good conscience spend millions of dollars to fund public broadcasting, and I would encourage you and your members to support total reduction of Federal funding for the CPB.

Thank you, and I would be glad to take any questions.

[The prepared statement of Mr. Johnson follows:]

PREPARED STATEMENT OF HON. SAM JOHNSON, A REPRESENTATIVE IN CONGRESS  
FROM THE STATE OF TEXAS

I want to thank you for giving Members the opportunity to voice their concerns and recommendations for helping balance our Nation's budget.

Today, I would like to focus my comments on the corporation for public broadcasting (CPB) and the innovative solutions the stations in my district have undertaken to raise money on their own.

I think the actions they have taken will show a remarkable change from the rhetoric that we heard last year when plans to end CPB's taxpayer subsidy was largely defeated by implying that cutting the small Federal contribution to the total CPB budget would eliminate television programs such as "Sesame Street," "Barney," and "Shining Time Station." It is just not true, these programs have huge followings, significant profits and can sustain themselves in the private market. The 14 percent of CPB's total budget that is provided by the Federal Government will not be the end of these programs.

There is evidence that not just the popular shows will survive, but that public broadcasting will thrive without their Federal subsidy. As an example, the public broadcasting station in my district proves this point. They just celebrated the opening of a new privately funded \$8.6 million telecommunications center. The 62,000-square-foot broadcasting center has state-of-the-art equipment and production studios. This center was financed without any Federal money, proving that communities can and do support public broadcasting.

The stations in my district also have found a new way to raise money. A new store named the "store of knowledge" will provide the public broadcasting stations of KERA/KDTN in Dallas with a percentage of the royalties from the sale of a variety of items including games, puzzles, books, videos, audio tapes and computer software. KERA/KDTN is guaranteed to receive \$50,000 in royalties from the "Store of Knowledge" the first year.

"Store of Knowledge" shops have already opened in California and stores are scheduled to open in Chicago, Philadelphia, and Portland.

The local public broadcast stations in my district currently receive only 10 percent of their annual budget from the Federal Government. Ideas such as the Store of Knowledge are examples of ways that public broadcasting can more than make up the small 14 percent of Federal dollars.

Also, Members should be aware that the entire Federal Government's contribution to CPB could be made up with just 16 percent of the revenues from the licensing of these shows. I believe it makes absolutely no sense to require taxpayers to foot part of the bill for shows that make billions of dollars.

Mr. NUSSLE. Well, I want to thank you for your testimony.

I, too, have two Barney lobbyists who live in my home, and they are much stronger than the NRA or the NFIB or anybody else. That is my son and daughter, and we enjoy public television, public broadcasting. But as you say, there have been some exciting new innovations in the way that they are raising money. I have some examples from my own district. So I appreciate your coming forward and providing us with your testimony and for giving us your ideas, and I appreciate your leadership in balancing the budget. You have been a real trooper in this debate.

Mr. JOHNSON. Thank you; can I make just one additional comment?

Mr. NUSSLE. You bet; yes, sir.

Mr. JOHNSON. You know, Barney was developed and is made in my district, in a town called Allen, TX. And the owners of Barney do not object to us cutting off these funds.

Mr. NUSSLE. Glad to hear that.

Mr. JOHNSON. Thank you very much for letting me testify.

Mr. NUSSLE. Thank you, Mr. Johnson.

The committee will be in recess subject to the next witness arriving.

[Recess.]

Mr. SHAYS [presiding]. I call this hearing to order and welcome our distinguished colleague from New York, Sue Kelly, who happens to be a neighbor, practically 10 minutes away from my home.

I appreciate your coming today, and I appreciate all of your good work, and I am eager to hear your testimony.

#### **STATEMENT OF HON. SUE W. KELLY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK**

Mrs. KELLY. Thank you, Mr. Chairman, and thank you for giving me the opportunity to appear before the committee to offer my views on the 1997 budget, and particularly the importance of one particular education program, Impact Aid.

I suppose the best way to emphasize the importance of the Impact Aid program is to share with you the circumstances facing a special school district that I represent in Congress.

The Highland Falls-Fort Montgomery School District sits adjacent to the U.S. Military Academy at West Point. Over 75 percent of the land within the school district is owned by the Federal Government. In addition, a mountainous State park also sits within the school district. The school district is literally surrounded by Federal and State lands and the Hudson River, and that leaves no room for expansion. So what we are faced with is a district with about 93 percent of its lands nontaxable, making it increasingly difficult for the school system to raise the revenues necessary to provide our children with the quality education they deserve. Addi-

tionally, the region has experienced an economic downturn which has reduced the town's tax ratables.

The Impact Aid program and specifically Section 8002 of the program was created to address situations facing this school district and hundreds more like it throughout the country. Congress recognized in 1950, when it passed the original Impact Aid program, that the Federal acquisition of land significantly impacted a local government's ability to generate revenue for its school system. To compensate communities in these situations, Section 8002 reimburses school districts for their share of the revenues that the local community would collect if the land did not belong to the Federal Government.

Unfortunately, Mr. Chairman, funding for the program has steadily deteriorated in recent years. The last time that this program was fully funded was 1987. Since that time, the Federal Government has shamefully failed to live up to the promises that it made to communities colocated with Federal lands. This declining commitment to Impact Aid has put the Highland Falls-Fort Montgomery School District in a difficult situation. They have closed a school building, cut staff, have delayed the procurement of needed educational tools—such as computers—all because the Federal Government has been unwilling to live up to its commitment to the community. This school district could be forced to close its doors. This is the school district that educates the high school students from West Point.

We cannot allow this to continue, Mr. Chairman. This is a matter of fairness, plain and simple. Funding for education has traditionally been the function of State and local government, which is the way it should be. But when the Federal Government severely curtails the ability of a local government to raise money for its schools, as in the case of Highland Falls-Fort Montgomery School District, what we are faced with is a significant unfunded mandate. Let there be no question: I am committed to our mutual goal of achieving a balanced budget, Mr. Chairman. In fact, I can think of no greater gift to give our children in future generations than a secure financial future. Reaching this goal requires many tough decisions, and these are decisions we have to have the courage to make.

But as we do so, Mr. Chairman, let us not lose sight of the compassion; let us not lose sight of the obligations the Federal Government has made to school districts around the country. This is not a budget issue; it is a fairness issue. I urge the committee to remember the importance of Impact Aid as you develop the 1997 budget and beyond.

Thank you, Mr. Chairman.

[The prepared statement of Mrs. Kelly follows:]

PREPARED STATEMENT OF HON. SUE W. KELLY, A REPRESENTATIVE IN CONGRESS  
FROM THE STATE OF NEW YORK

Mr. Chairman, thank you for giving me the opportunity to appear before the committee to offer my views on the 1997 budget, and specifically the importance of one particular education program, Impact Aid.

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The Impact Aid program, and specifically section 8002 of the program, was created to address situations facing this school district and hundreds more throughout the country. Congress recognized in 1950 when it passed the original Impact Aid program that the Federal acquisition of land significantly impacted a local government's ability to generate revenue for its school system. To compensate communities in these situations, section 8002 reimburses school districts for their share of the revenues that the local community would collect if the land did not belong to the Federal Government.

Unfortunately, Mr. Chairman, funding for the program has steadily deteriorated in recent years. The last time the program was fully funded was 1987.

Since that time, the Federal Government has shamefully failed to live up to the promises that it made to communities colocated with Federal lands.

This declining commitment to Impact Aid has put the Highland Falls-Fort Montgomery School District in a difficult situation. They have closed a school building, cut staff, and have delayed the procurement of needed educational tools, such as computers, all because the Federal Government has been unwilling to live up to its commitment to the community. This school district could be forced to close its doors.

We cannot allow this to continue, Mr. Chairman. This is a matter of fairness, plain and simple.

Funding for education has traditionally been the function of State and local government, which is the way it should be. But when the Federal Government severely curtails the ability of a local government to raise money for their schools, as in the case of the Highland Falls-Fort Montgomery School District, what we are faced with is a significant unfunded mandate.

Let there be no question—I am committed to our mutual goal of achieving a balanced budget, Mr. Chairman. In fact, I can think of no greater gift to give our children, and future generations, than a secure financial future. Reaching this goal requires many tough decisions, and these are decisions that we must have the courage to make.

But as we do so, Mr. Chairman, let's not lose sight of compassion, and let's not lose sight of the obligations the Federal Government has made to school districts around the country. This is not a budget issue—it's a fairness issue. I urge the committee to remember the importance of Impact Aid as you develop the 1997 budget and beyond.

Thank you, Mr. Chairman.

Mr. SHAYS. I thank the gentlelady and gentlewoman and say that your statement was very articulate and will be part of the record, even though there are not many Members here present and to thank you very much for coming.

Mrs. KELLY. Thank you.

Mr. SHAYS. At this time, the Chair would call Connie Morella, who is the Representative from Maryland and also an extraordinarily distinguished Member of Congress.

#### **STATEMENT OF HON. CONSTANCE A. MORELLA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND**

Mrs. MORELLA. Thank you, Mr. Chairman. Thank you also for kind of juggling this schedule today with the vote that we had on the floor and other committee meetings and all.

I want to commend you also personally, Mr. Chairman, for the yeoman kind of work that you did on the floor in leading the oppo-

sition to the repeal of the assault weapon ban. I am very proud of what you did.

Mr. SHAYS. I thank the gentlelady, and it was a team effort.

Mrs. MORELLA. It was, but teams need leaders, and that makes a difference.

I am going to really condense the statement that I have, which is being distributed to you and to the members of the committee, in the interests of time. I am reminded, Mr. Chairman, of some students who wrote thank you notes to me when I met with them. They were fifth-grade students, and at the time, I told them how important education was, and they wrote thank you notes, and one of them said "I appreciated your telling us about the importance of education. We are studying Socrates. Socrates was a philosopher; he talked a lot, and they killed him." And so I will try to bear that moral in mind when I discuss with you very briefly some of my feelings about the budget and the deficit.

Mr. SHAYS. You do not have to be that brief. I have got nowhere to go.

Mrs. MORELLA. OK; I ask unanimous consent to be able to revise and extend.

Actually, balancing the budget is not only one of my most important priorities. I know it is one of yours and of the Budget Committee. And I really think that what the majority has done is they have made the American people, including the President, recognize the importance of balancing the budget. So now, it is one of the most important actions that we can take, and now, we have got to make these decisions to have it come about. We just cannot saddle our children with debt; it is not fair. And unless we rein in spending, children born today will pay \$187,000 in taxes just to pay for their share of interest on the debt.

And we know that as we look at the past, Congress has engaged in many mechanisms to try to balance the budget. The Gramm-Rudman-Hollings bill during the eighties, both I and II, and then, in 1990, we had the Budget Enforcement Act. And yet, despite the fact that we had those pieces of legislation, we still face deficits that are spiraling out of control and a debt of nearly \$5 trillion.

Up until now, Congress has avoided tough votes on the programs that comprise over half of the budget, and that is the entitlements. Entitlements, along with interest on the debt, are the fastest-growing parts of the budget. Medicaid is 11 percent of the budget, costs rising 10 percent annually. The budget limits the growth of Medicare and responds to the trustee's report that said that Part A would be bankrupt by 2002. We know that Part B is also ailing, and that as a matter of fact, an addendum to the trustee's report indicated that it might be bankrupt even before that time.

In fiscal year 1995, interest on the debt encompassed 15.3 percent of the Federal budget, and it continues to grow. That same year, we spent 16.5 percent of the budget on all science, education, environment, transportation, and the nonentitlement medical expenses. So therefore, you are going to find that if we continue this way, in one more year, we will spend the same percentage—probably 16 percent—for all of our discretionary domestic spending and about 16 percent on interest on the national debt, and the interest on the national debt continues to escalate. So we know that we

have got to reform entitlements and balance the budget, and as I mentioned in my testimony, by 2012, unless policy changes are made, the outlays for entitlements and interest will consume all tax revenues collected by the Federal Government and squeeze out important discretionary spending. I think we need to get this message over and over again out to the American people.

I believe in balancing the budget, but I think we have to strike a balance, and that is why you have this opportunity for Members to share their ideas with you. The budget resolution reported by this committee will provide an important blueprint for reaching a balanced budget. Even though the actual spending decisions are made later by the authorizing and appropriating committees, your committee outlines areas where Federal spending would most likely be slowed or reduced in order to reach fiscal balance.

I do urge you to devote adequate resources to discretionary spending on the environment, on education, science, transportation and research. I think these are very important areas. Education must be one of our top priorities. The future of our country is linked to the quality of education for our children. It is not only opportunities for our children; it is getting people off of welfare; it is upward mobility; it is job training. All of this is education, and I think it is very important that we stress this as we look at the totality of our budget. And we must take great care that we do not cause permanent damage to our environment. Damage to the environment can be irreversible. I believe that it would be problematic—in fact, it would be a bad decision—to open the Arctic National Wildlife Refuge to oil exploration, and also, I think we have already been doing some damage with the kinds of cuts to the Environmental Protection Agency.

Authorization hearings on the National Science Foundation budget began this morning for fiscal year 1997, bringing to light the importance of the National Science Foundation. It builds our scientific strength by funding research and education activities in all fields of science and engineering at more than 2,000 colleges, universities, and research institutions throughout the United States. And even though the NSF budget was only 3 percent of the Federal R&D budget in fiscal year 1995, it provides 25 percent of basic research funding at universities and over 50 percent of the Federal funding for basic research in math, computer sciences, environmental sciences, and social sciences. I do hope for the full funding of NSF.

I am pleased that despite the fiscal constraints, we were able to find a 5.7-percent increase at the National Institutes of Health. I urge a continued commitment to biomedical research. I mean, we know that if we can even hold back the ravages of Alzheimer's for 5 years, we save \$50 billion. And so, the research pays off in a humane way but also in a fiscal way.

I feel very strongly about the fact that we just cannot balance the budget on the backs of our Federal employees by adopting cuts in Federal employee pay, pensions, and benefits. After the many proposals affecting employees' benefits last year, I worry that Federal employees may be asked to bear a disproportionate share of the cuts. They have been through an awful lot this year. Yesterday was our 12th continuing resolution. We had the longest Federal shut-

down in history, and the demoralization aspect of this on our Federal employees is obviously going to affect the productivity as well as, I think, curtail our ability to recruit and retain the best for the Federal work force.

As we struggle to fund important domestic programs, I also feel that we cannot afford a tax cut at this time. We have an historic opportunity to balance the budget, and the tax cut provision has become an obstacle. I have been against the proposed tax cut from the beginning not because I oppose tax relief; I think it is great, but because deficit reduction has to be our first objective, our first priority. I think the proposed tax cuts are ill-timed, particularly in conjunction with the proposed cuts in programs that help our most vulnerable populations. And every place I go in my town meetings, when that issue comes up, regardless of socioeconomic, educational, geographic background, there is almost a unanimous applause given to the concept of holding back on tax cuts at this time. And as you know, I am part of a group of moderate Republicans, as you are, who have outlined a 6-year balanced budget without tax cuts, still allowing people to vote on having tax cuts as soon as the budget is balanced.

I also feel that to achieve a balanced budget, we need to cut corporate welfare. I know that is a catchphrase, but even if you look at the Cato Institute, which is very pro-business, 85 percent of the corporate welfare dollars survived the 1995 budget process intact, they stated. Further, a recent Cato study, entitled Ending Corporate Welfare As We Know It, indicates that if all Federal assistance to business were purged from the budget, the deficit would be cut in half.

Now, I do not believe we can go that far; I do not think that would be wise. But the study certainly does indicate how much room there is to cut corporate welfare. For example, the Department of Agriculture gives M&M Mars over \$1 million a year, and AT&T got over \$34 million last year from various government programs. I question whether that is the most worthwhile use of scarce government funds. I also think that defense spending—I do not know why we do not look at the Pentagon's recommendations when we are putting together a defense budget, why we insist on adding extra weapons systems and systems that even our Pentagon, our Department of Defense, have not only not asked for but have, when questioned about it, said that they did not think it was wise to fund certain systems.

I also want to add my strong support for something I always felt we needed to do, and that is to collect our debts. There is a bill that has been put in; it has been worked out by all of the agencies coming together. It is really incredible that they have come together to support and to help to craft H.R. 2234, the Debt Collection Improvement Act of 1995. Steve Horn in the subcommittee of our Government Reform and Oversight Committee is the prime sponsor of that bill, which makes a great deal of sense. It will reduce delinquencies to improve debt collection activities governmentwide. It will recoup billions every year to our treasury, an important step toward balancing our budget.

Well, in our important quest to balance the budget, we need to strike a balance as the Budget Committee works to draft this

year's budget resolution and 602 (a) and (b) allocations. I respectfully ask that you find a balance between controlling the growth of entitlements, protecting the environment, education, our children from the burdens of a budget taken over by debt and entitlements. I wish you well, and I thank you for the opportunity to give some of my feelings about the budget and where we need to go.

Thank you, Mr. Chairman.

[The prepared statement of Mrs. Morella follows:]

PREPARED STATEMENT OF HON. CONSTANCE A. MORELLA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND

Mr. Chairman and members of the House Budget Committee, thank you for inviting me here to testify before you today. Balancing the budget is one of my most important priorities, and I appreciate the opportunity to express my ideas about how to best achieve a balanced budget.

Balancing the budget is one of the most important actions Congress can take to improve the Nation's economy. We are saddling our children with our debt, and that's not fair. Unless we rein in spending, children born today will pay \$187,000 in taxes just to pay for their share of interest on the debt. A balanced budget would mean less government borrowing and lower interest rates for consumers.

Congress has attempted to lower the deficit and failed several times. During the 1980's, Congress enacted Gramm-Rudman-Hollings I and II, and in 1990 we enacted the Budget Enforcement Act. These measures were passed to control deficit spending, yet we still face deficits that are spiraling out of control and a debt of nearly \$5 trillion.

Up until now, Congress has avoided tough votes on the programs that comprise over half of the budget: entitlements. Entitlements, along with interest on the debt, are the fastest growing parts of our budget.

Medicare constitutes 11 percent of the budget, and its costs rise approximately 10 percent annually. This budget limits the growth of Medicare, and responds to the Medicare Trustees Report that stated that the Medicare Part A Trust Fund will be bankrupt by 2002. In fiscal year 1995, interest on the debt encompassed 15.3 percent of the Federal budget, and it continues to grow. The same year, we spent only 16.5 percent of the budget on all science, education, transportation, housing, the environment, urban development, and other nonentitlement domestic programs combined. Do we really want to be spending important resources on interest on the debt instead of making investments in our future? These are tough decisions, but the consequences of doing nothing are much more severe.

Until we reform entitlements and balance the budget, entitlement spending and interest on the debt will continue to reduce the share of the budget that we can spend on important discretionary programs. If we were not obligated to make interest payments on the debt, this year's budget alone would have a surplus of \$95 billion. By 2012, unless policy changes are made, projected outlays for entitlements and interest on the national debt will consume all tax revenues collected by the Federal Government and squeeze out important discretionary spending. As a result, the amount of money we can spend on important discretionary programs, such as education, environmental protection, research and development, science and transportation will decline each year. These programs are important investments in the future of our Nation.

I am a strong supporter of balancing the budget. But in balancing the budget, we must strike a balance between spending cuts and maintaining programs that are important for the future of our country. The budget resolution reported by this committee will provide an important blueprint for reaching a balanced budget. Even though the actual spending decisions are made later by the authorizing and appropriating committees, it outlines areas where Federal spending would most likely be slowed or reduced in order to reach fiscal balance. Thus, I strongly urge you to devote adequate resources to discretionary spending on the environment, education, science, transportation, and research.

Education must be one of our Nation's top priorities. The future of our country is linked to the quality of education that we afford our children, and it is in our best interest as a nation to help States and local governments provide the best possible education to our students, regardless of their socioeconomic status.

We must take great care that we do not cause permanent damage to the environment in our zeal to balance the budget. Last year's budget resolution led to harmful

spending decisions on many environmental programs, including opening the Arctic National Wildlife Refuge up to oil exploration and large funding cuts in the EPA.

Authorization hearings on the National Science Foundation (NSF) 1997 budget began this morning, bringing to light the importance of NSF. It builds U.S. scientific strength by funding research and education activities in all fields of science and engineering at more than 2,000 colleges, universities, and research institutions throughout the United States. Even though the NSF budget was only 3 percent of the Federal R&D budget in fiscal year 1995, it provides 25 percent of basic research funding at universities and over 50 percent of the Federal funding for basic research in math, computer sciences, environmental sciences, and the social sciences. I strongly urge the Budget Committee to fully fund NSF.

Despite our funding constraints, I was pleased that we were able to provide a 5.7 percent increase for NIH research, and I urge a continued commitment to biomedical research in fiscal year 1997.

We must not balance the budget on the backs of our Federal employees by adopting cuts in Federal employee pay, pensions and benefits. After the many proposals affecting employees benefits last year, I worry that Federal employees may be asked to bear a disproportionate share of the cuts. Federal employees have been through a lot this year, and the service they provide to our country is invaluable. The cuts the Congress is contemplating may stifle our ability to recruit the best and the brightest to the Federal work force.

As we struggle to fund important domestic programs, it is clear to me that we cannot afford a tax cut at this time. We have an historic opportunity to balance the budget, and the tax cut provision has become an obstacle. I have been against the proposed tax cut from the beginning, not because I oppose tax relief, but because deficit reduction must be our first economic priority. These proposed tax cuts are ill-timed, particularly in conjunction with the proposed cuts in programs that help our most vulnerable populations. I am part of a group of moderate Republicans who have outlined a 6-year balanced budget without tax cuts. By eliminating tax cuts, it is more likely that negotiators can reach agreement on a balanced budget that can actually pass. After all, isn't balancing the budget our most important goal?

In order to achieve a balanced budget, we must also cut corporate welfare. According to the Cato Institute, 85 percent of the corporate welfare dollars survived the 1995 budget process intact. Further, a recent Cato study, "Ending Corporate Welfare as We Know It," indicates that "if all Federal assistance to business were purged from the budget, the budget deficit could be cut in half." While I don't believe we could go this far, the study certainly indicates how much room there is to cut corporate welfare. For example, the Department of Agriculture gives M&M Mars over a million dollars a year and AT&T got over \$34 million last year from various government programs. Is this the most worthwhile use of scarce government funds?

On route to a balanced budget, we must cut defense spending in accordance with the Pentagon's recommendations.

I also want to take this opportunity to urge my colleagues to support H.R. 2234, the Debt Collection Improvement Act of 1995, a bill to reduce delinquencies and to improve debt-collection activities governmentwide. This measure would recoup billions to our treasury, an important step toward balancing our budget.

In our important quest to balance the budget, we must strike a balance. As the Budget Committee works to draft this year's budget resolution and 602A and 602B allocations, I respectfully ask that you find a balance between controlling the growth of entitlements, protecting our environment and our education system, and protecting our children from the burdens of a budget taken over by debt and entitlements. Thank you.

Mr. SHAYS. Thank you.

This committee appreciates your putting your statement on the record as you have and pointing out so clearly that when we spend money one place, we do not have the opportunity to spend it somewhere else. It is the concept of opportunity costs. If we spend it here, we give up the opportunity to spend it here. And as you point out so well, our entitlements are just growing at such a rate that it is crowding out discretionary spending, very meaningful discretionary spending.

I appreciate among other things your highlighting that point to this committee, and thank you for your fine work and your testimony.

Mrs. MORELLA. Thank you very much, Mr. Chairman.

Mr. SHAYS. Thank you.

Mr. CRAPO, I welcome you to the witness table. And I was going to give you credit for being from Iowa, but you are the Member from Idaho.

Mr. CRAPO. That is right.

Mr. SHAYS. And I had to get that straight.

Mr. CRAPO. Well, it is not a mistake that you are alone in making. Quite often, that mistake is made.

Mr. SHAYS. Well, it is wonderful to have you here, and you have as much time as you want.

**STATEMENT OF HON. MICHAEL D. CRAPO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IDAHO**

Mr. CRAPO. Thank you very much. I appreciate the opportunity to testify before you today, and I have submitted a statement for the record. I would like to expand on that just briefly.

Mr. SHAYS. Sure.

Mr. CRAPO. I also will not take too much of your time.

Mr. SHAYS. Your full statement will be in the record, and we are happy to hear any comments you want to make.

Mr. CRAPO. Thank you very much.

I would just like to state once again, although I know we are not following this path, I want to once again put on the record that I believe the way we ought to approach the budget is through across-the-board cuts. I know when I brought that up and many of us fought for that some time back, we were told we cannot do that, because politically, that would mean we would have to tamper with things like Medicare and Medicaid. And lo and behold, now that we are going through program-by-program and line-by-line, we are tampering with things like Medicare and Medicaid, and the political justification is not there.

I realize that across-the-board cuts are not the most idealistic way to do it, that some programs need to be cut more deeply; some need to be eliminated; some need to be expanded. But in terms of the political realities of getting to a balanced budget, I think we could get there much more smoothly in a way that people would accept if we could do it in a way that they could see that it was evenhanded, across-the-board. And we could then take it further steps and cut in more areas where it needed to be cut further, and we might even be able to adjust on that a little bit; but I know I am a small minority in voicing this; I know we are not going that way, but I did want to get that on the record.

With regard to the issue of tax cuts, I am one of those who is strongly in favor of tax cuts. The reason is because if the battle over tax cuts were one of whether we would take the revenue that would be given back to the American people through a tax cut and apply it to the deficit, I would vote for that. I would vote to put that money to the deficit. But that is not the battle we are fighting. The battle is whether we are going to put that money to extra spending in the Federal system. And given the fact that even the budgets we are now contemplating put most of the hard decisions in the outyears, it is important to me that we downsize the Federal Government as we start moving toward those outyears. And the

most effective way to do that is to reduce the size of its income. And I think that in addition to the notion that we ought to be letting American people keep more of their hard-earned revenue in their own control, I think that it is a practical function of downsizing government that the way to do so is to downsize the level of spending, which must be done through tax cuts.

I agree very much—I had not intended to talk about this, but I agree very much with Mrs. Morella about the importance of science and research in terms of the priority-setting that we make. I very strongly support the gains we made last year in strengthening NIH research, and I think that the biomedical research that we do in this country does give us the kinds of benefits in both personal and in budget ways that she said it did, and I encourage the committee to keep that in mind as it focuses on where to put our priorities as we go through this line-by-line budgeting process.

And in that context, I think that the environment is going to be one of the most critical issues that we face in this budget, and amidst all of the other substantive battles that we have over various environmental programs or issues, I think that one that goes unnoticed quite often is the tremendous impact that research into environmental issues can provide to our country. The Environmental Protection Agency gets attacked quite often for some of the wrongheaded approaches it takes to solving environmental programs—and I am one of those who thinks that the EPA needs to have a complete reanalysis of the way in which it approaches problemsolving with regard to environmental issues.

But one thing I think that they are doing quite well and in fact would help them and all of us in approaching environmental issues is their research. In fact, if we can get more effective research answers to some of the issues we face today, we can find more effective substantive solutions. And so I encourage the committee to focus on not only biomedical research but environmental research as a critical element of our national environmental policy.

You are probably also aware that I am the sponsor of the lockbox. And although I do not know if there is a way to fit it into the budget resolution, I would encourage you to consider that. I seriously believe that one of the biggest defects in our budgetary system here in Congress is that when we go through our budgets on the floor of the House and we identify areas in which the floor of the House does not agree with the priority-setting of the Appropriations Committee, in that process, inevitably, it is always debated as whether this spending was justified and whether we should reduce it so that we can reduce our deficit. And yet, inevitably, it does not reduce the deficit. It is a sham. And it is not a sham in terms of what the people are seeking to do; it is a sham in terms of what the system produces as a result of those votes. We have got to have a system that protects the votes of the House of Representatives to result in deficit reduction.

And then, the formal statement that I submitted deals primarily with concerns that I have with regard to environmental management and environmental cleanup relating to the Department of Energy's budget. I have a site in my district, one of the national laboratories, the Idaho National Engineering Laboratory. And, in fact, my hometown is the closest major city in Idaho to that site, Idaho

Falls. I know—as you know—that Secretary O’Leary and Undersecretary Grimbley have stated that they are committed to cleaning up the legacy of the cold war, and that is the legacy that is at many of these sites. In my site in Idaho, we are now, by agreement with the Secretary of Energy and the Department of the Navy, agreeing on a limited basis to let spent nuclear fuel be brought into our State, and I will tell you that that decision was not one that was made without significant political opposition. It is clearly one of the single largest issues in my State. The people are concerned that the Department of Energy will not meet its commitments to make sure that facilities are made available to clean up the spent nuclear fuel and to provide permanent storage for it and to clean up the other aspects of the opinions that have been undertaken at the INEL over the past few decades.

I am concerned with the environmental management account, and I realize that I am one of those budget cutters, one of those who has been fighting for a balanced budget and fighting to restrict the spending of the Federal Government, and, therefore, I do not come here to tell you to boost it up into the large numbers that theoretically it really needs to get the job done. I do come to tell you, however, that within the budget numbers allocated to the Department of Energy, the environmental management account must have the highest priority, and I believe that at a minimum, it should be maintained at its current levels. The current budget proposed by the President seeks to get close to that, but it actually has about a 3- to 4-percent reduction. And given the fact that there are tremendous increases in other parts of the DOE budget, when the environmental management account is so critical to this country, and when the projects and the missions of that account are missions that are required by Federal law, I think that it is a mistake for us to try to keep shifting money around, and I would encourage the committee to strengthen the recommendations with regard to that account.

I just in closing want to come back to the issue that I raised briefly before about the fact that the State of Idaho has agreed to take a lot of the Nation’s spent nuclear fuel, and I want to alert this committee to the dynamics of that and how it will impact budget decisions this year and in the future. Right now, the legacy of the nuclear part of the cold war is that there is a significant amount of spent nuclear fuel that comes off of nuclear-powered submarines, nuclear-powered aircraft carriers and the like. And that spent nuclear fuel has to be stored somewhere. There is also what is called waste. It is not spent fuel, but it is the gloves and the clothing that became exposed to radioactive materials and other types of lower-level waste or even some that is called high-level waste.

That wastestream must be processed and stored somewhere. The fuel is to be stored at Yucca Mountain, or at least that is what this Congress so far has stated. And many of the other types of waste are to be stored at the WIPP facility, Waste Isolation Pilot Project, in New Mexico. And funding for those two projects—the Yucca Mountain facility and the Waste Isolation Pilot Project in New Mexico—is critical not only to my State but throughout the United States in terms of finding an answer to these critical issues. And

this is not just a military issue. In Idaho, it now is primarily a military issue, because our agreement with the Department of Energy was that we would take the Naval spent fuel but that we would not take the commercial spent fuel. But you will see in the next couple of years—in fact, probably in the next couple of months—that the issue of commercial spent fuel is going to become a big national issue, and we are going to have to move ahead as a Congress in providing the necessary resources to open Yucca Mountain or whatever we open with regard to spent nuclear fuel and to operate the WIPP process.

In my written testimony, I have included parts of the agreement between the State of Idaho and the Department of Energy, and the thing that I wanted to make the committee aware of was that this agreement came as a result of litigation between the State of Idaho, the Navy, and the Department of Energy, and it is not just a written agreement between these three entities; it is an agreement that was incorporated into the resolution of that court case and is now a court order, which means that there are significant things that must happen in Idaho which are budget-driven that will be the roadblocks to further shipment of spent nuclear fuel to Idaho if they do not occur. And I think it is in not only the national interest but in the interests of maintaining the integrity of the agreement that has been entered and the court order that has been entered that we pay attention to the environmental management budget in Idaho and pay attention to the need to adequately fund the necessary projects to resolve the spent nuclear fuel and other nuclear waste processes in the United States.

And with that, again, I thank you for your attention and appreciate the opportunity to be here.

[The prepared statement of Mr. Crapo follows:]

PREPARED STATEMENT OF HON. MICHAEL D. CRAPO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IDAHO

Mr. Chairman, I thank you and the members of the committee for allowing me the opportunity to testify before your committee today regarding the fiscal year 1997 Budget.

As you know, Secretary O'Leary and acting Undersecretary Grumbly have stated that they are committed to cleaning up the legacy of the cold war, a legacy that has left many Department of Energy (DOE) sites with a tremendous cleanup burden. Just as we are committed to our veterans, we must also be committed to the communities near these sites that helped fight the cold war. Significant reductions in work forces at our DOE sites have put this cleanup progress at risk.

With regard to the Department of Energy's environmental management account, I would like to bring your attention to the administration's change of last year's funding priorities. The fiscal year 1996 Energy and Water Appropriations for Defense Environmental Restoration and Waste Management was \$5.466 billion. The President has requested for fiscal year 1997 \$5.409 billion, a reduction of \$57.08 million. Although this may be construed that the Department of Energy (DOE) has requested adequate funds to clean up our Nation's nuclear legacy, it is clear that the administration has chosen to redirect these funds to programs that the administration favors but this Congress significantly reduced in fiscal year 1996. These funding priorities of the administration, primarily contained in the Energy Efficiency and Renewable Energy account, have increases ranging from 35 to 427 percent while programs under the Environmental Management account are reduced between 1 and 19 percent.

In my district alone, the DOE site sustained significant reductions in fiscal year 1995 appropriations in the Environmental Management account, resulting in a reduction of 1,500 contractor employees. The reductions in the fiscal year 1996 appropriations for Environmental Management have thus far led to a further reduction of 56 contractor employees with more possible and significant slowdown of cleanup

progress. Similar reductions were sustained by other DOE sites that use Environmental Management funds.

Although there is a true need to pursue and research new, environmentally friendly forms of energy production, it should not be accomplished at the expense of the environment. Lack of funding in the DOE's Environmental Management account is a threat to the environment now and should receive the funds necessary to fulfill our commitments to the communities that helped so much in the cold war.

Second, our country must soon come to terms with the management and storage of spent nuclear fuel and other nuclear waste. We as a nation must find and pursue solutions to the nuclear waste issue. This Congress has taken dramatic steps forward to find a solution. Committee action has been completed on H.R. 1663 and H.R. 1020, legislation that would open up a low-level waste repository at the Waste Isolation Pilot Plant and create interim and permanent storage of spent fuel at Yucca Mountain. I urge this committee to help our Nation come to terms with this issue and move these bills forward.

Lastly, the Department of Energy's Environmental Management Program and the opening of WIPP and Yucca Mountain repositories have a tremendous impact on my State. Recently, the Governor of Idaho, the Department of Energy (DOE), and the U.S. Navy entered in to an agreement that will provide for the research on and interim storage of our Nation's Nuclear Navy spent nuclear fuel. In return, the Department of Energy has agreed to clean up the legacy of the cold war's nuclear activities at the Idaho National Engineering Laboratory (INEL) and transport the spent fuel and waste to permanent storage outside of Idaho.

Additionally, the Congress has passed the Defense Authorization Conference Report which contains a sense of the Congress that states:

(1) Congress recognizes the need to implement the terms, conditions, rights, and obligations contained in the settlement agreement referred to in subsection (a)(1) and the consent order of the United States District Court for the District of Idaho, dated October 17, 1995, that effectuates the settlement agreement in accordance with those terms, conditions, rights, and obligations.

(2) It is the sense of Congress that funds requested by the President to carry out the settlement agreement and such consent order should be appropriated for that purpose.

Adequate funding for the Environmental Management account and for the completion of the repository program are critical for maintaining this agreement and addressing the very real cleanup needs at our Nation's DOE sites. Thank you.

Mr. SHAYS. Thank you, Mr. Crapo.

First, I want to thank you for your credible persistence on dealing with funds that have been cut, making sure that they actually do go for deficit reduction and are not spent on other programs, because as you have pointed out time and again, we end up cutting one program which has waste, and it ends up going to another program which may even be less necessary. And that becomes very frustrating to both Members on both sides of the aisle. So your lockbox effort has been, I really think, outstanding.

Mr. CRAPO. Thank you.

Mr. SHAYS. I have a question as a Member who comes from the East Coast and is grateful that we have States willing to take certain environmental-challenged waste like nuclear spent fuel. My sense is that any State that is willing to assume the responsibility for the rest of the country should receive a significant financial benefit by doing that. Is that the case in terms of Idaho's contract with the Navy? I mean, is there a special premium that comes besides just jobs? I mean, is there special revenue that would come?

Mr. CRAPO. That is generally the case. Let me describe briefly what the agreement entailed.

Mr. SHAYS. Sure.

Mr. CRAPO. It is a rather detailed agreement, but the State of Idaho agreed to accept a certain number of shipments of spent nuclear fuel, primarily shipments from the Navy, but there were a few shipments from foreign countries that were agreed to be re-

ceived in the interests of trying to not let any more spent nuclear fuel be available around the world which could be used for bombs. And so again, it was in the interests of the national defense that those shipments were agreed to be received. The agreement said that we would store them on a temporary basis but that they all had to be removed from the State by the year 2035, and between now and then, the Department of Energy agreed that it would undertake a number of different activities.

First of all, it agreed that it would provide a permanent repository by the year 2035 and move the fuel out by that time. Secondly, however, a number of projects that might have been either never realized at the INEL or which would have been realized over 30 or 40 years were moved into a shorter timeframe. And in about the next 5 to 15 years, a number of major cleanup projects were committed to at the INEL. These are cleanup projects relating not only to the management and restoration of spent nuclear fuel, such as taking it out of the ground and storing it above ground, because we have a big aquifer there, but also calcining or processing some of the high-level liquid nuclear wastes and processing and managing a lot of what are called transuranic wastes—and I know this is getting into a lot of detail, but the bottom line is that somewhere in the neighborhood of about \$200 million worth of activity at the INEL was committed to.

Now, in a sense, that is a reward to the State. In reality, it is something that the Federal Government would have had to do anyway, and so the answer to your question is that the State of Idaho did not get a big reward. We did get something in the neighborhood of about \$30 million committed in terms of what was considered to be community reuse funds so that downsizing at the INEL, which is happening in other areas, can be adjusted in the community.

But to be honest with you, I agree with you that I think that over the next period of time as the States of Idaho and New Mexico and the State of Nevada get involved in these types of activities that this Congress ought to recognize that there should be a significant financial reward for those who are willing to do it.

Mr. SHAYS. I feel very strongly about that. And as a Member from the East Coast, which makes the argument that it does not have the ability to store some of this fuel, that we should be giving a premium to those States, a financial reward above and beyond the creation of jobs and so on, and I would be happy to work with my colleague to do that.

Mr. CRAPO. Well, I appreciate that, and I will look to you as a friend and supporter as we seek to accomplish that.

Mr. SHAYS. Thank you; thank you for your testimony.

Mr. CRAPO. Thank you.

Mr. SHAYS. At this time, we have our colleague from North Carolina, Mr. Spratt.

Mr. SPRATT. South Carolina, Mr. Chairman.

Mr. SHAYS. South; I apologize.

Mr. SPRATT. I do that to North Dakota and South Dakota all the time.

Mr. SHAYS. Well, they are both such beautiful States, and I have a brother-in-law who lives in your fine State.

Mr. SPRATT. Is that right?

Mr. SHAYS. Well, I had better be careful. It is Greenville; is that North Carolina?

Mr. SPRATT. No, that is South Carolina.

**STATEMENT OF HON. JOHN M. SPRATT, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH CAROLINA**

Mr. SPRATT. Pertinent to the last testimony from the gentleman from Idaho, if you want to respond to what he proposed, you might keep in mind, Mr. Chairman, that all of the money you fund for environmental management gets folded into 050, Function 050 if it comes under the DOE nuclear weapons program. And last year in the National Security Committee, the committee, over my objection and against my amendment, transferred \$700 million out of environmental management and into other defense activities. So if you want to do that this year, you might, with your funding of 050, attach an admonition that you intend for the environmental management programs to be fully funded, particularly if they are the requested 3.2 percent below last year. It is just a thought.

Mr. SHAYS. Well, that is helpful; thank you.

Mr. SPRATT. I came here to discuss another topic. I first would like to say, Mr. Chairman—and I know that you share my desire to see the country on a path to a balanced budget in a reasonable period of time. We voted for different budgets. I voted for the Coalition budget. And I hope that before we finish work on the fiscal year 1997 budget, we can finish the work on the fiscal year 1996 budget, take the common ground we have achieved, and put ourselves on a path, at least a declining path toward a balanced budget within 7 years. And I know you are committed to that objective; I would simply like to put my encouragement on the record for us all to lean in and work in that direction.

The President, in sending up his budget proposals, included a trade proposal called Caribbean Basin Initiative Parity or CBI Parity for short. CBI Parity would give 24 Caribbean nations access to our markets, duty-free and quota-free, on the same terms that Mexico enjoys now under NAFTA. But unlike NAFTA, CBI Parity would require nothing of the Caribbean countries in return. It is wholly unilateral; wholly gratuitous on our part. In revenues lost, its cost to us is estimated officially at \$1.6 billion over 5 years. That is, I know, just a small fraction of a huge budget. But think of it in terms of opportunity costs: \$1.6 billion over the next 5 years could mean the difference between expanding Head Start and contracting Head Start, or it could mean the difference between, say, a 30-percent deduction in health insurance premiums for the self-employed as opposed to a 25-percent deduction.

Keep in mind, too, that \$1.6 billion understates the cost. First of all, that is the low-ball estimate. USTR itself has used estimates in the past until this budget had to be submitted that were twice that amount, closer to \$3 billion.

In any event, this is static costing, if you will. If we use dynamic costing, we would have to include the cost to our budget of jobs lost. Let me give you an example: just a few weeks ago, a major knit shirt manufacturing firm in my State, headquartered in my district, a top-flight firm that makes shirts for Ralph Lauren among others, closed one of its largest plants in Florence, SC, put-

ting 540 people totally out of work. That company lost the entire output of this plant in Florence because one major retail customer decided that it could source its needs in the Caribbean much more cheaply than in South Carolina. Two weeks later, I received notice in my office that trade adjustment assistance had been approved for those 540 workers. If we give CBI countries parity with Mexico, we will only see more dislocation than that, more trade adjustment assistance, more unemployment benefits, more JTPA, on down the list. In short, a lot more impact on the budget than \$1.6 billion over the next 5 years.

Mr. Chairman, in an austere budget where needs of all sorts will have to go underfunded if we are going to meet our deficit reduction goals, I see no reason to wedge out other compelling needs in our country in order to make room at the table for CBI Parity; I just do not see the policy in that.

Furthermore, as trade policy, I am at a loss to understand why this country with a merchandise trade deficit of \$174 billion last year should open its markets to more imports without seeking any reciprocity whatsoever. We have already favored these 24 Caribbean countries with trade concessions that make them our second-largest source of textile and apparel imports. In 1994, the CBI countries shipped \$4.6 billion in trade and apparel goods to the United States, and that was a \$600-million increase over 1993. This past year, 1995, the CBI countries shipped an additional \$1 billion in goods to this country, raising their total textile and apparel exports to this country to \$5.5 billion, placing them second only to China as textile exporters.

Last year, our textile apparel deficit with the Caribbean countries stood at \$2.5 billion, nearly twice the deficit with Mexico, which was \$1.3 billion. Now, why do the CBI countries require parity when their textile apparel deficit with us is already twice that of Mexico without these extra advantages? And if they want parity, if they want the same treatment that NAFTA awards its participants, why can't these countries one-by-one use the accession clause in NAFTA, the established process for joining NAFTA? Why can't they simply subject themselves to the same strictures as Canada, the United States, and Mexico, make the same concessions in return for the concessions they win? Why can't they commit themselves as we commit ourselves to stop transshipment, to protect intellectual property rights? With the abuses in both areas and others that we have, why can't we at least extract these conditions from them in return for the concessions we are about to make?

Mr. SHAYS. Could I interrupt the gentleman just to ask if we do not do that now? We do not ask for those concessions now from—

Mr. SPRATT. This is completely unilateral to the best of my understanding. I have not seen the exact proposal. The legislation itself has not been sent up. But basically, it grants them the same tariff and the same quota concessions that Mexico won in return for reciprocal commitments under NAFTA. It puts them on parity with them.

Mr. SHAYS. It puts them on parity without a quid pro quo?

Mr. SPRATT. That is exactly right.

And, Mr. Chairman, with the jury still out on the benefits of NAFTA, I cannot understand why we would extend its concessions

to 24 countries without gaining anything in return for our country. The President's proposal for CBI Parity in my opinion is bad trade policy, bad economic policy, and bad budget policy, and I hope that your Budget Committee will reject it out of hand.

Thank you very much.

Mr. SHAYS. Thank you, Mr. Spratt.

We have been joined by Lynn Rivers, but I just want to say that this is something I personally will follow up on, because having voted for NAFTA, I just want to make sure we can absorb what we have done in NAFTA, particularly before we ask for reciprocal, and they have to take the good with the bad, in my judgment.

Mr. SPRATT. I voted for NAFTA also, but I think that we should wait and see its benefits, and we should at least get something in return when we make major trade concessions like this.

Mr. SHAYS. I appreciate your pointing this out to the committee.

Ms. Rivers, do you have any?

Ms. RIVERS. No.

Mr. SHAYS. You are, I think, our last witness; is this correct? You have ended this hearing, and we thank you, and you were worth waiting for.

Mr. SPRATT. Thank you, Mr. Chairman; have a nice weekend.

Mr. SHAYS. You too, sir.

This hearing is now adjourned.

[The prepared statements of Ms. Kaptur, Mr. Mica, Mr. Miller, Mr. Schiff, Mrs. Schroeder, and Mr. Stupak follows:]

PREPARED STATEMENT OF HON. MARCY KAPTUR, A REPRESENTATIVE IN CONGRESS  
FROM THE STATE OF OHIO

I would like to thank Chairman Kasich and all the members of the committee for this opportunity to present testimony and share my views on the choices America faces as Congress continues in its efforts to balance the Federal budget, which is so vital to ensuring the economic security of our citizenry and the future of our Nation.

I would first like to call attention to the progress that Congress has made to date. Our efforts, coupled with lower interest rates due to market confidence in our fiscal approach, have brought the annual budget deficit, which was close to \$300 billion in 1992, down to around \$160 billion in 1995. As a share of gross domestic product (GDP), we have cut the deficit by more than half—from 4.9 percent in 1992 to 2.4 percent in 1995. Congress has reduced discretionary outlays—programs that are not defined by formula as “entitlements”—from an average of more than 13 percent of GDP during the 1960's, to 9.5 percent in fiscal year 1991, to 8 percent in fiscal year 1994, to only 7.5 percent last year. In addition, downsizing of the Federal Government has been occurring, with over 200,000 Federal positions eliminated, bringing the size of the Federal work force to its lowest level per capita since the Franklin Roosevelt administration.

For the last fiscal year, fiscal year 1995, the Appropriations Committee, on which I sit, cut 408 Federal programs below their prior year spending levels, and eliminated another 40 programs entirely. Savings from these terminations and reductions alone amounted to more than \$25 billion. Just in the Department of Agriculture, the USDA has reduced its work force by 10,000 people since 1993.

That said, I would like to emphasize that these efforts to discipline spending and reduce our annual budget deficits must continue. My own view as to the primary reason why it is important to balance our budget is because our Nation must restore its economic self-sufficiency. Our taxpayers are paying an incredible amount of money for interest on our accumulated debt. In 1995, the U.S. Government paid out \$332.4 billion in interest, enough to pay for the defense of our Nation, as well as all the costs of veterans' benefits, education, and NASA. Interest payments now constitute over 20 percent of all Federal spending. This means that our tax dollars are being diverted for interest to banks, foreign countries, and other securities holders rather than investing in our own economy or satisfying the needs of our own citizens in areas like health, environment, education, defense, et cetera. In fact, if we

did not have to make these interest payments, last year the Federal Government's revenues would have been more than sufficient to accommodate its expenditures.

Like many of you, I voted for the balanced budget constitutional amendment that passed the House in January 1995, and remain committed to putting our fiscal house in order by supporting further cuts in spending to reduce the deficit. The question concerning further efforts to balance the budget is not whether we should do it, but how? If this Congress is serious about balancing the budget, then I believe it should redouble its efforts to wean big businesses off corporate welfare and tax subsidies financed on the backs of American families.

The Appropriations Subcommittee on Agriculture, on which I serve, offers a good example of how other departments and agencies can do to put their fiscal houses in order. Our subcommittee, using practical recommendations from the administration, has totally altered the organization of the Department. To date, we have closed 500 field offices and consolidated 43 agencies into 29, reduced staffs by 9 percent, expanded user fees and licensing revenues to meet costs, and targeted scarce dollars to those Federal activities that will do the most to keep U.S. agriculture at its premier status into the next century. Targeted investments for the future are made in research, trade, and conservation, but many programs have been eliminated or reduced.

Most importantly, this fiscal year, in cooperation with the authorizing committee, we have worked to move agriculture toward a more market-based approach. The Market Transition Program of the farm bill, though, requires declining payments over 7 years. In my view, transition crop payments must be capped by the Appropriations Committee in order to keep Federal spending at or below current levels, particularly when farm prices are expected to remain high. It is unconscionable to pay farmers for not farming or to increase the cost of the "freedom" to farm provisions beyond prior funding levels.

The Appropriations Subcommittee on Agriculture has reined in discretionary spending. We must now turn our attention to entitlement spending on agriculture programs. Market transition payments coupled with high crop prices should not result in windfall expenditures which put our deficit reduction goals at risk. Entitlement spending on market transition payments must not exceed last year's level and should decline in each of the next 7 years.

Further, I would strongly encourage this committee to take a long, hard look at legislation introduced by Representative Sanders which I am cosponsoring along with other members of the Progressive Caucus. The Corporate Responsibility Act (H.R. 2534), would save our Nation about \$700 billion over 7 years. It would cut the umbilical cord to the Federal Treasury for many of our Nation's most powerful entities that are in business to earn profits. These large enterprises long ago outgrew their need for taxpayer largesse. Among other savings, the bill would close tax loopholes that allow billionaires to avoid paying taxes by renouncing their U.S. citizenship and relocating to foreign countries, for a savings of \$3.6 billion over 10 years. It would eliminate the transfer pricing loophole, for a savings of up to \$143.5 billion. It would repeal the U.S. territorial possessions tax credit that entices our companies offshore, for a savings of \$19.7 billion. And it would apply all of these savings toward deficit reduction, unlike many of the majority's proposals for balancing our budget.

I cannot condone continuing tax policies that encourage multinational companies to move overseas and allow foreign companies doing business in the United States to advantage themselves of special tax exemptions. Why not take care of these loopholes first before asking our citizens to sacrifice more? America can achieve steady economic growth and a balanced budget by having everyone pull their fair share of the load.

Securing a brighter future for America means balancing the budget with priorities aimed at bettering the lives of all our families, especially earning decent wages that flow from good-paying jobs. Fundamentally, stronger economic growth depends on a strong free enterprise system that earns its livelihood in the private market, not from the government. Otherwise, balancing the budget will prove to be an illusion.

Again, I thank the members of this committee for allowing me the opportunity to share my thoughts on this most important subject for ensuring our country's economic security.

March 27, 1996.

Hon. JOHN KASICH,  
*Chairman, Committee on the Budget,*  
*House of Representatives, Washington, DC.*

DEAR CHAIRMAN KASICH: I am submitting the attached testimony for inclusion in the record of the Budget Committee's hearing held on March 22, 1996. I appreciate the opportunity to have my remarks included in the record.

If you have any questions or concerns regarding this request please contact me or my subcommittee staff.

Sincerely,

JOHN L. MICA, *Chairman,*  
*Subcommittee on Civil Service.*

PREPARED STATEMENT OF HON. JOHN L. MICA, A REPRESENTATIVE IN CONGRESS  
FROM THE STATE OF FLORIDA

As the chairman of the Subcommittee on Civil Service, I am concerned about funding shortfalls in the Federal retirement system and I want to suggest some modest steps we can take to address them.

The Civil Service Retirement Disability Fund (CSRDF) suffers from a history of fiscal practices that relied on the deferral of actual costs of annuities to future generations of taxpayers. We are that future generation, and we can no longer defer these costs.

Next year, in 1997, we will pay out \$41.3 billion in pension benefits. We will take in approximately \$10 billion in cash receipts from employee payroll deductions and from cash contributions from the U.S. Postal Service. The General Treasury will make up the difference between receipts and payouts—over \$30 billion.

Because of the way this pension fund was established the Treasury will be paying a growing share of annuity costs. The projections in the Annual Report of the U.S. Office of Personnel Management indicate that by the year 2000, the Treasury's share of annuities will grow from \$40 billion per year to \$60 billion in 2010 and over \$150 billion per year by the year 2030. According to the budget for fiscal year 1997 submitted by the Clinton administration: "From 1960 through 1995, CSRDF payments to the public have exceeded its income from the public by \$408 billion."

No matter what accounting device or instrument we devise there is no substitute for real money or for meeting annual obligations in a forthright manner. There is no way around the fact that the U.S. taxpayer bears the burden of the annual shortfalls between receipts and annuity payouts.

We did not create this flawed approach to funding the Federal pension system. We inherited this from our preceding Congresses. We inherited a retirement trust fund full of paper IOU's that are called "nonmarketable treasury securities." These IOU's are euphemistically referred to as "trust fund assets." No wonder the Federal retirement system is in a constant state of crisis. The taxpayers are footing a growing portion of a growing annuity burden.

Not only is the retirement fund filled with paper IOU's, but they did not even bother to put in the right amount of IOU's. There is an unfunded liability of \$540 billion in the system. The Clinton administration has included one recommendation in the fiscal year 1997 budget submission that is related to the issue.

The recommendation addresses the actual cost of the Civil Service Retirement System (CSRS) which is currently understated in the agency matching contribution. The "normal" cost of CSRS is 25.14 percent. Normal cost is defined as the cost of a retirement benefit expressed as a percentage of payroll. Currently the employee pays 7 percent, the agency pays 7 percent, with 11.14 percent left unfunded. The administration recommends shifting the treasury share of the actual cost to agency operating budgets through the agency appropriations. The administration calls for the agency contribution to rise beginning in 1999, and then increase gradually until full normal cost is reflected in agency budgets in 2002. This will more closely reflect the full cost of pensions in agency salary and expense accounts. I urge adoption of this measure.

Unfortunately, the administration did not include in its fiscal year 1997 budget, a proposal that was recommended in its fiscal year 1996 budget to address the unfunded liability. The administration had proposed to amortize the unfunded liability over a 40-year period. I support this proposal as a measure which will bring added discipline into retirement budgeting and accounting.

Let me make it clear that neither of these proposals resolve the underlying difficulties with the retirement system. But they provide truth in accounting which will allow future Congresses and future administrations to make important policy decisions concerning Federal retirement systems in a more rational way.

Given the annual funding shortfalls in the retirement system, it is my intention to close the current Federal retirement system to new employees and create a new prospective retirement system for future employees. The new system would be fully funded outside of the Federal budget, would follow private sector principles, adhere to the Employee Retirement Income Security Act (ERISA) standards, and be insured by the Pension Benefit Guarantee Corporation (PBGC). The benefit would be fully portable following the minimum vesting period. The system would be noncontributory and upon retirement, beneficiaries may choose to convert the lump-sum benefit to an annuity.

A retirement system fully invested in stock or bond funds should earn a rate of return substantially higher than the minimal rate of return paid on the current "assets." By investing in real assets the Federal Government can provide employees with an adequate retirement benefit, while simultaneously exercising fiscal constraint. A retirement system fully funded outside of the Federal budget will also be fully protected against any potential raiding to evade the legal debt limit. President Clinton and Treasury Secretary Rubin have recently used civil service retirement funds to evade the legal debt limit. The administration has used these funds as a "slush fund" to the tune of \$61 billion to circumvent the debt ceiling.

The new retirement system will, in the long-term, serve to stem the current flow of funds out of the Treasury, and will lessen the pressure of future Congresses to make changes in current retirement benefits. I intend to move forward aggressively this Congress to create this new retirement system.

PREPARED STATEMENT OF HON. GEORGE MILLER, A REPRESENTATIVE IN CONGRESS  
FROM THE STATE OF CALIFORNIA

Good morning, Mr. Chairman and members of the committee. I want to thank you for providing this opportunity for Member input. I hope that we can assist your efforts to make the Federal budget reflect modern priorities for Federal spending.

Today I would like to address the problem of the numerous, overlapping subsidies given to corporations that develop our Nation's natural resources. Many of these subsidies were originally intended to assist the country in settling the West, but the time for Western settlement is now past. And still, the taxpayers serve up billions of dollars annually to the special interests who exploit our public resources for private gain.

Of course, these natural resource subsidies do more than drain the Treasury—they also encourage corporate polluters to gouge more profits out of Federal lands and our other precious natural resources. The environmental impacts of the mining, timber, oil and gas, and water development industries have affected our communities across the West. The taxpayers simply cannot afford to continue subsidizing environmental destruction, especially since they often are asked to finance costly recovery efforts years later.

Unfortunately, in the past year the budget debate has steadfastly avoided these subsidies. It is time to do more than give lip service to eliminating corporate welfare—particularly when it contributes to environmental destruction. If this Congress is going to demand that poor families give up welfare payments after 5 years, shouldn't we ask the agribusinesses, timber companies, mining companies, and other special interests to give up their welfare after 50 years?

I am providing this committee today with a copy of our 1994 Natural Resources Committee staff report, "Taking From the Taxpayer."<sup>1</sup> This report is a primer on the range of overlapping subsidies that go to the natural resource industries that use our Federal resources. Looking through this report, it is evident that these subsidy programs have been adopted without regard for one another. With divided committee jurisdiction, none of us has ever thoroughly examined the overlaps: How much, for example, should the oil and gas industry receive in tax breaks on top of royalty discounts and "holidays," "development contracts," and lax environmental regulation?

Some of the multiple subsidies create direct conflicts, such as that involving Agriculture's surplus crop programs and Reclamation's irrigation subsidy program. The surplus crop programs spend taxpayer dollars to reduce production of certain crops; the Reclamation program spends taxpayer dollars to encourage crop production. Unfortunately, both programs are available for the same crops, and the taxpayer pays both ways.

<sup>1</sup> "Taking From the Taxpayer: Public Subsidies for Natural Resource Development," Committee Print No. 8, Subcommittee on Oversight and Investigations, Committee on Natural Resources, 103d Congress, August 1994.

Apart from the general findings of the "Taking From the Taxpayer" report, I urge you to consider the specific legislative provisions of H.R. 721, the proposed Natural Resources Deficit Reduction Act. This bill, which now has almost 50 cosponsors from both sides of the aisle, contains numerous specific mandates to reduce resource subsidies. Enacting any one of these recommendations would take a step toward sanity in our natural resource policies.

Many of the provisions in H.R. 721 are the same or similar to legislation that has passed the House in previous Congresses. Based on these provisions, the Congressional Budget Office has given a preliminary assessment that the bill would save almost \$3 billion in the first 5 years, and about \$1.6 billion each year thereafter. Again, these numbers are based only on the provisions of H.R. 721 that CBO has evaluated in the past. CBO did not score the other provisions, but further savings could certainly be expected.

In addition to H.R. 721, I would also suggest that the Budget Committee review the "Green Scissors '96" report.<sup>2</sup> This is the second year that a coalition of environmental and taxpayer organizations has produced a Green Scissors proposal for specific cuts that would help clean up both the budget and the environment. Some of these cuts are similar to those contained in H.R. 721, and some are not. However, all of the proposals deserve serious consideration by this committee as it searches for ways to cut the budget without destroying vital social and economic programs.

I have written to the chairman of the Resources Committee asking first that the committee hold hearings on H.R. 721, and on the Green Scissors report. I have yet to receive a positive response in either instance.

American citizens are asking us to find a way out of this budget morass. They are asking us to adopt a sensible budget that eliminates government waste. Surely we can serve them by eliminating the archaic subsidies that contribute to the destruction of our national environmental resources.

PREPARED STATEMENT OF HON. STEVEN SCHIFF, A REPRESENTATIVE IN CONGRESS  
FROM THE STATE OF NEW MEXICO

I would like to thank Chairman Kasich and the committee for giving me and our other colleagues the opportunity to share our thoughts concerning the budget. Since my time today is limited, I am only going to touch briefly on a few topics. However, it should be obvious to everyone that there are many issues that must be addressed. It is not my intent to diminish the importance of any issue I do not mention today before the committee.

First, I would like to take this opportunity to congratulate both the committee and Chairman Kasich on successfully undertaking the difficult task of proposing a balanced budget. Annual budget deficits should have been eliminated years ago, but were not. As a result, the Nation's current debt is nearly \$5 trillion, an immoral legacy to leave for this Nation's children and grandchildren. Today every item funded by the Federal Government must be scrutinized. However, I want to mention two specific areas where Federal leadership and funding are an imperative priority within our spending limits: law enforcement and scientific research.

FUNDING FOR FEDERAL LAW ENFORCEMENT

Having served in law enforcement for many years, including 8 years as the elected District Attorney for Bernalillo County before coming to Congress, and as a current member of the House Judiciary Committee, I have experience in fighting crime, both at the local and national level. Generally speaking, crime is a local problem, with local solutions. Local law enforcement is often most qualified to handle the apprehension and detention of local criminals. However, there remains a legitimate role for the Federal Government in fighting crime, especially, in my judgment, in getting repeat and violent offenders off of the street.

Within the constraints of our budget, we should allocate the maximum possible funding for Federal law enforcement. Without adequate funding for our U.S. Attorneys and other Federal law enforcement officials, we will not be able to enforce the laws we have on the books today, much less any new laws. We, as Members of Congress, have a responsibility to the people who look to us to keep them safe in their homes, schools and neighborhoods. The first duty of government is to ensure the safety of its people, and to fulfill this obligation to our electorate, I urge the members of the Budget Committee to provide sufficient funding for our Federal law enforcement agencies.

<sup>2</sup> "Green Scissors '96: Cutting Wasteful and Environmentally Harmful Spending and Subsidies," February 1996, compiled by the Green Scissors Campaign, a collaboration of taxpayers and environmentalists.

## FUNDING OF SCIENTIFIC RESEARCH

Another priority of the Federal budget should be investment in scientific research and related education. The future economic success of our country, as well as its security, is tied to science and science education. For our Nation to compete in an increasingly global marketplace, to ensure that our children will have a clean environment, and to eradicate the diseases that might afflict them, necessitates a healthy and robust network of university, industry, and government laboratories.

As the world marketplace becomes more competitive and interconnected, United States' industries must have state-of-the-art technologies and highly educated employees. While it is clear that industry has the responsibility to invest in product and process development and improvement, and that the Federal Government should never be in the business of choosing winners and losers, the Federal Government does have important roles to play. One is in science education and investment in research, the other is in bringing industry, universities, and government together to work on projects of mutual interest.

This Congress should be the leader in promoting scientific research, not only for the obvious benefits of the discoveries that await, but for technical education. Research, such as the Human Genome Project, inspires children to become biologists and doctors; research in space inspires our children to become astronauts, computer scientists, and mathematicians. Research in energy and matter inspires children to become chemists and physicists. In addition, the Federal investment in basic research help to support our graduate schools in science and engineering, will, in turn, produce the scientists, engineers, and educators of tomorrow.

Government's second important role in research more directly relates to ensuring that the United States is not left behind as the Pacific Rim countries and Europe become increasingly competitive. These economic powerhouses are breaking into and dominating markets that were previously controlled by American companies. The Federal Government can help by bringing together industry, research universities, and government laboratories to work on projects which are mutually advantageous. This type of collaboration is now occurring at the Department of Energy national laboratories and should be encouraged and supported.

Finally with respect to investment in science and research, I caution against labeling types of research with the oversimplified terms of "basic" and "applied." A better way to fund scientific research is to first determine science priorities and then invest accordingly. Let the experts decide which type of research will be necessary to realize those priorities.

## CONCLUSION

As I mentioned in my introduction, it is not my intention that my comments today include every program or issue in which I believe the Federal Government has a legitimate role. But, I ask that the committee seriously consider the national importance of public safety and scientific research when prioritizing the budget.

Before I conclude, I would like to make one final point. As Congress makes the difficult choices necessary to balance the budget, we must carefully examine every Federal expenditure. We should look for Federal programs that might be more effective and less expensive if they were administered locally. However, we should not diminish the contribution of Federal employees that have unselfishly spent their careers in the service of the public. It is my hope that as the important work of balancing the budget continues, disparaging remarks and inequitable policies regarding those employees will be absent.

Again, I thank the committee for all of its important work and for allowing me the opportunity to come before you with my concerns.

March 26, 1996.

Hon. JOHN KASICH,  
*Chairman, Committee on the Budget,  
 House of Representatives, Washington, DC.*

DEAR CHAIRMAN KASICH: I respectfully request that my enclosed statement be included among those statements that were given during Members' Day at the Budget Committee on Friday, March 22, 1996.

Sincerely,

PATRICIA SCHROEDER,  
*Congresswoman.*

## PREPARED STATEMENT OF HON. PATRICIA SCHROEDER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF COLORADO

*Put the defense budget under the same microscope as every other account*

Mr. Chairman, this Congress has repeatedly expressed its desire to balance the budget. We have slashed nondefense discretionary spending by \$23 billion from fiscal year 1995 levels in an attempt to reduce the deficit. We have repeatedly said that everyone must be willing to tighten their belts in order to save the future of our country. We have scoured our Federal programs to squeeze extra money out of the Federal budget. However, not all parts of the Federal Government have been squeezed the same way. In particular, the national defense budget function has been exempt from the same scrutiny of the other portions of the budget.

Last year, the Department of Defense received \$6.7 billion more than the Pentagon requested, a 3-percent increase. In comparison, domestic volunteer service programs like VISTA and AmeriCorps were cut by \$75 million, a 24-percent reduction to their overall budgets. The House appropriators cut funding for elementary and secondary education by \$1.2 billion, a 14-percent decrease. This included such vital programs as Impact Aid and Title I funding. The appropriators also cut funding for higher education, including financial aid programs, by a total of \$701 million, a 9-percent decrease. It seems that nondefense spending is bearing the brunt of the fiscal belt-tightening.

This year, the House National Security Committee has suggested that the National Defense Budget Function (050) be funded at \$267.3 billion in budget authority and \$265 billion in outlays. This represents a \$12.2 billion increase in budget authority and a \$5.6 billion addition in outlays. The 050 function is the largest discretionary funding account and currently comprises half of our discretionary budget.

While Congress has demanded that every other agency cut its budgets, the National Security Committee added money without forcing the Pentagon to eliminate inefficiencies. Last year, the Congressional Budget Office suggested 12 programs that could be cut or scaled back to reduce defense spending. These programs would have amounted to collective savings of \$18.3 billion for 1 year, and \$241.7 billion over 6 years. This does not include the billions of dollars the Pentagon could eliminate if it simply addressed its waste. Last year alone: the Pentagon "misplaced" \$15 billion, the National Reconnaissance Organization (NRO) hoarded \$2 billion, Pentagon VIPs wasted approximately \$380 million flying around, and DOD spent \$2,187 for one hinge. By providing funding in excess of the request, the committee has eliminated every incentive for the Pentagon to cut waste. This addition to the defense budget comes on top of the \$30.5 billion "Christmas bonus," that Secretary Perry added to the administration plan due to lower than expected inflation rates.

The Upton-Shays-Frank burdesharing amendment, which passed the House with bipartisan support, would have added \$6.5 billion in additional revenue over the next 5 years. However, this provision was removed in conference committee.

Adding additional funding to the defense budget shows that the House National Security Committee feels that they do not have the same level of fiscal restraint that the other committees have shown. Consequently, I would recommend that you: (1) remove firewalls around the defense budget and put all discretionary spending, defense and nondefense, on the table; and (2) recommend a significantly lower number for the 050 budget function than the National Security Committee has suggested. I would use the Clinton administration level as a ceiling for defense spending. Thank you for your attention.

## PREPARED STATEMENT OF HON. BART STUPAK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. Chairman, thank you for allowing me the opportunity to testify before the Budget Committee regarding proposals to cut the Federal deficit and to balance the budget.

Last year, I introduced H.R. 2476, the Common Sense Medicare Reform Act. I offered this measure as a substitute to the changes to the Medicare program offered and adopted in the Commerce Committee. My substitute was ruled out of order by the Chair.

Mr. Chairman, some members of the majority in Congress claim that it is necessary to cut \$270 billion in order to save the Medicare program. Actually, the Medicare Trustees indicated that the Federal Government must devote \$89 billion—not \$270 billion—to avoid insolvency of the program in the year 2002. I believe that changes and adjustments must be made to the program, but I think it's irresponsible to gut a program which 37 million elderly Americans depend on for health care coverage. My legislation takes the best ideas from the Republican proposal and the

Democratic plan, and it's designed to improve the Medicare program in a bipartisan manner.

I believe we must aggressively fight waste, fraud, and abuse in the Medicare program. It has been estimated that as much as 10 cents of every dollar spent on Medicare is consumed by fraud and waste, but the Medicare reform proposed late last year only serves to create additional fraud committed by health care providers by raising the legal standard required to prove fraud. Conversely, my bill gives law enforcement more tools to fight Medicare fraud—a crime which harms Medicare recipients and American taxpayers. My bill increases the powers available to law enforcement to fight fraud in the Medicare program through civil penalties for kickbacks, grand jury disclosure, and increased subpoena authority. Both the OIG and the Justice Department endorse the fraud-fighting tools that are contained in my bill.

My legislation requires that any funds recovered through cuts or savings from waste, fraud, and abuse be automatically returned to the Medicare Trust Fund so that Medicare is protected and will remain solvent.

Lastly, I advocate the use of a single claim form to increase administrative efficiency. Through the use of a single standard administrative system, we can simplify the Medicare system for beneficiaries and providers, while saving money from increased productivity.

Mr. Chairman, I believe my proposal is an effective and honest way to ensure the solvency of the trust fund and give senior citizens more choices, without cutting benefits. My legislation goes a long way toward eliminating waste, fraud, and abuse, important goals as we prepare a Federal budget for the coming fiscal year. Building upon the current recoveries of money from waste, fraud, and abuse in the Medicare program could bring about \$93.5 billion in savings over 7 years.

Additionally, I would like to raise another issue focusing on potential savings in Federal spending, and that pertains to the disposal of office furnishings and equipment in the district offices of departing Members. As many of you may have experienced first-hand when you first came to Congress, the furnishings and equipment of your predecessors were virtually given away in the equivalent of a congressional "fire sale" and many of us ended up scrounging around to find replacements, often forcing American taxpayers to fork over top dollar for new furnishings and equipment when, in most cases, the old stuff was totally adequate. Again, some might think this is a small matter when it comes to overall savings, possibly \$1 million per year, but it would mean a lot if we did away with this reminder of all that the American people view as being wrong with this institution.

Thank you for the opportunity to share with you important steps that we can take in cutting the Federal deficit and laying the foundation for a truly balanced budget.

[Whereupon, at 3:06 p.m., the committee was adjourned.]



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